BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER AND LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (Filed March 22, 2013)	]]]]	PSC DOCKET NO. 13-115

DIRECT TESTIMONY OF ANDREA C. CRANE
ON BEHALF OF THE
DELAWARE DIVISION OF THE PUBLIC ADVOCATE

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I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is 90 Grove Street, Suite 211, Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown, Connecticut 06829.)

Q. By whom are you employed and in what capacity?

A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and undertake various studies relating to utility rates and regulatory policy. I have held several positions of increasing responsibility since I joined The Columbia Group, Inc. in January 1989. I became President of the firm in March 2008.

Q. Please summarize your professional experience in the utility industry.

A. Prior to my association with The Columbia Group, Inc., I held the position of Economic Policy and Analysis Staff Manager for GTE Service Corporation from December 1987 to January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product Management, Treasury, and Regulatory Departments.

Q. Have you previously testified in regulatory proceedings?

A. Yes, since joining The Columbia Group, Inc., I have testified in over 350 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I have filed testimony since January 2008 is included in Appendix A.

Q. What is your educational background?

A. I received a Master of Business Administration degree, with a concentration in Finance, from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in Chemistry from Temple University.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On March 22, 2013, Delmarva Power and Light Company ("DPL" or "Company") filed an Application with the Delaware Public Service Commission ("PSC" or "Commission") seeking a base rate increase of $42.04 million. The Company's request was based on a Test Year and Test Period ending December 31, 2012. The Company stated in its Application that its request would result in an increase of approximately 7.38% in annual electric revenues. However, it is only the Company's base distribution revenues that are at issue in this base rate case. Revenues related to recovery of electric supply costs are not an issue in this case, since those costs are not addressed through the base rate case process. Therefore, DPL's request will actually result in an electric distribution revenue increase of approximately 23% on base distribution rates.

The Columbia Group, Inc. was engaged by The Delaware Division of the Public Advocate ("DPA") to review the Company's Application and to provide recommendations to the PSC regarding the Company's revenue requirement claim. In developing my recommendations, I have relied upon the cost of capital and capital structure testimony of David C. Parcell of Technical Associates. Testimony on behalf of the DPA is also being filed by David Dismukes of Arcadian Consulting on issues relating to reliability, class cost of service, and rate design.

Q. What are the most significant issues in this rate proceeding?

A. The most significant issues driving the rate increase request are the Company's claim for a cost of equity of 10.25%; the Company's proposals to include CWIP, post-test year plant additions and a prepaid pension asset in rate base; recovery of both prospective and deferred costs relating to Automated Meter Infrastructure ("AMI"), Dynamic Pricing, and Direct Load Control programs; and salary and wage increases through October 30, 2014. DPL's last electric base rate case was resolved by a settlement among the parties, whereby rates were increased by $22 million. That settlement was approved by PSC Order 8265 issued on

December 18, 2012. That case was based on a Test Year and Test Period ending December 31, 2011.

III. SUMMARY OF CONCLUSIONS

Q. What are your conclusions concerning the Company's revenue requirement and its need for rate relief?

A. Based on my analysis of the Company's filing, its responses to data requests, and other documentation in this case, my conclusions are as follows:

1. The twelve months ending December 31, 2012 is a reasonable Test Period to use in this case to evaluate the reasonableness of the Company's claims.
2. Based on the testimony of Mr. Parcell, the Company has an overall cost of capital for its electric operations of 7.09%.
3. DPL has pro forma rate base of $553.67 million (see Schedule ACC-3).[1]
4. The Company has pro forma electric operating income at present rates of $34.97 million (see Schedule ACC-16).
5. DPL has a pro forma electric base distribution revenue deficiency of $7.31 million (see Schedule ACC-1). This is in contrast to the Company's claimed revenue deficiency of $42.04 million.

[1] Schedules ACC-1 and ACC-39 are summary schedules, ACC-2 is a cost of capital schedule, ACC-3 to ACC-15 are rate base schedules, and ACC-16 to ACC-38 are operating income schedules.

IV. COST OF CAPITAL AND CAPITAL STRUCTURE

Q. What is the cost of capital and capital structure that DPL is requesting in this case?

A. The Company utilized the following capital structure and cost of capital in its filing:

	Percent of Total	Cost Rate	Weighted Cost
Long Term Debt	50.78%	4.91%	2.49%
Common Equity	49.22%	10.25%	5.04%
Total	100.00%		7.53%

Q. What is the capital structure and overall cost of capital that DPA is recommending for DPL?

A. Based on the recommendation of Mr. Parcell, DPA is recommending an overall cost of capital for DPL of 7.09%, based on the following capital structure and cost rates:

	Percent of Total	Cost Rate	Weighted Cost
Long Term Debt	50.78%	4.91%	2.49%
Common Equity	49.22%	9.25%	4.60%
Total	100.00%		7.09%

Mr. Parcell's recommendation reflects the Company's proposed capital structure and cost of debt. However, he is recommending a lower cost of equity than the 10.25% requested by DPL. I utilized Mr. Parcell's recommended overall cost of capital of 7.09% to determine the Company's pro forma required income based on my recommended rate base, as shown on summary Schedule ACC-1. I then compared this required income to pro forma income at present rates to determine the Company's need for rate relief. As shown on Schedule ACC-1, my recommendations indicate that the Company currently has an electric base distribution revenue deficiency of $7.31 million.

V. RATE BASE ISSUES

A. Utility Plant-in-Service

Q. How did DPL determine its utility plant-in-service claim in this case?

A. The Company began with its utility plant-in-service balances at December 31, 2012, the end of both the Test Year and Test Period in this case. DPL then made an adjustment to include "reliability" plant additions through December 31, 2013.

Q. Are you recommending any adjustment to the Company's claim for utility plant-in-service?

A. Yes, I am recommending that the PSC eliminate all post-test year plant additions from the Company's rate base. DPL's post-test year plant adjustment increases rate base by $66.79 million. This post-test year plant adjustment, including the associated depreciation expense adjustment, is responsible for approximately $9.17 million (or almost 22%) of the Company's total claim in this case. The Company's adjustment results in a mismatch of the components of the regulatory triad used to set rates in this case. While the Company included post-test year plant additions through December 31, 2013, neither its depreciation reserve claim nor its claim for the deferred income tax reserve include reserve additions through December 31, 2013. Nor did the Company include revenues associated with growth in either customers or usage after December 31, 2012 in its rate case claim.

Q. Please comment on Mr. Ziminsky's statement that his adjustment is consistent with the PSC's decision in PSC Docket No. 09-414.

A. While the PSC did permit the inclusion of post-test year plant in rate base in the last electric case, the Order in PSC Docket No. 09-414 states that the PSC's decision was issued "under the circumstances of this case."[2] In the past, DPL has traditionally used average plant balances to develop its rate base claim. In the current case, the Company's plant is based on end-of-test year balances and therefore are already more prospective than those used in prior cases. I have accepted the use of test year-end balances to determine rate base. But including additional post-test year adjustments would unfairly burden ratepayers with an additional $9.17 million in higher rates without consideration of other components that will offset the revenue requirement associated with DPL's plant additions.

For example, in the Test Year, DPL added $27.44 million of depreciation to its accumulated depreciation reserve, which is a reduction to rate base. In 2013, reserve additions are expected to be even higher. These reserve additions will serve to lower the Company's revenue requirement – but the Company did not make an adjustment to reflect this lower revenue requirement.[3] Similarly, increases to the deferred income tax reserve, another rate base deduction, also serve to offset the revenue requirement associated with

2 Order 8011 in PSC Docket No. 09-414, August 9, 2011, paragraph 60.
3 DPL did include additions to both its depreciation and deferred income tax reserves associated with its post-test year plant, but it failed to include reserve additions associated with the plant that was in service at 12/31/13.

utility plant additions – but the Company did not make an adjustment to reflect this lower revenue requirement. Increases in customers and usage would also help to offset increased revenue requirements associated with new plant – but the Company did not make any adjustments for increased customers or usage.

In addition, plant additions through December 31, 2013 are not known and measurable. This Commission has allowed post-test year adjustments that are reasonably known and measurable, but generally has drawn the line at those that are merely speculative.

Given the Company's use of a test year-end rate base, the fact that its post-test year additions are speculative rather than known and measurable, and the fact that the Company did not make similar adjustments to other components that serve to reduce its revenue requirement, I recommend that the PSC reject the Company's claim to include post-test year additions in rate base. My adjustment is shown in Schedule ACC-4.

B. Construction Work in Progress ("CWIP")

Q. What is CWIP?

A. CWIP is plant that is being constructed but which has not yet been completed and placed into service. Once the plant is completed and serving customers, then the plant is booked to utility plant-in-service and the utility begins to take depreciation expense on the plant. Inclusion of CWIP in rate base creates a mismatch among the ratemaking components utilized for the Test Period, since it represents plant that was not actually serving customers during the Test Period. Thus, including CWIP in rate base overstates the plant necessary to provide service to those customers who were served during the Test Period and on whom the Company's revenue claim is based.

Q. What CWIP has the Company included in its rate base claim?

A. DPL included its December 31, 2012 CWIP balance of $70.15 million in its proposed rate base. This claim increases the Company's revenue requirement by approximately $7.71 million. Thus, the inclusion of CWIP in rate base is responsible for over 18% of the Company's claim in this case.

Q. Should CWIP be included in rate base?

A. No, I do not believe that CWIP is an appropriate rate base element. CWIP does not represent facilities that are used or useful in the provision of utility service. In addition, including this plant in rate base violates the regulatory principle of intergenerational equity by requiring current ratepayers to pay a return on plant that is not providing them with utility service and which may never provide current ratepayers with utility service.

One of the basic principles of utility ratemaking is that shareholders are entitled to a return on, and to a return of, plant that is used and useful in the provision of safe and adequate utility service. By its definition, CWIP does not meet these criteria. The Company should accrue an allowance for funds used during construction ("AFUDC") on projects until such time as the project is completed and placed into service. Since the Company is compensated for its costs in this manner, there is no need to make an exception to good ratemaking principles by allowing CWIP to be included in rate base.

The AFUDC methodology has two distinct advantages over permitting CWIP in rate base. First, it properly matches the benefits provided to ratepayers with the costs paid by those ratepayers, while allowing CWIP in rate base forces today's ratepayers to pay for plant that may never provide them with any benefit. Second, allowing CWIP in rate base transfers the risk during project construction from shareholders, where it properly belongs, to ratepayers. The shareholders will be compensated for that risk once the plant enters utility service and the AFUDC is appropriately included in rate base.

Q. Didn't the Company include an earnings offset to give ratepayers the benefit of the AFUDC earnings impact?

A. Yes; however, it should be noted that the AFUDC earnings included by DPL in this case are only a small fraction of the CWIP that the Company included in rate base. DPL is requesting inclusion of $70.15 million of CWIP but has offset that claim with only $965,309 of AFUDC. In Docket No. 09-414, one of the reasons stated by the PSC for its decision to eliminate CWIP from rate base was the wide variance between the Company's claim for CWIP and its claim for offsetting AFUDC. In the Order in Docket No. 09-414, the PSC stated that:

> In Delmarva's last electric distribution base rate case, Docket No 05-304, we exercised our discretion to exclude CWIP from rate base based on the evidence in that case that the amount of AFUDC as a percentage of CWIP was less than 2%. We concluded that including CWIP in rate base under those circumstances would have a "considerable adverse impact" on Delmarva's revenue

> requirement....
>
> The facts of this case are strikingly similar. The amount of AFUDC as a percentage of CWIP in this case is 0.2%; thus, including it in rate base would have a similar detrimental impact on Delmarva's revenue requirement as we found in Docket No. 05-304.[4]

In this case, we are once again faced with the situation where the Company's CWIP claim is significantly larger than the associated AFUDC offset. The Company's AFUDC is only 1.37% of its CWIP claim in this case, providing further support for my recommendation to eliminate CWIP from rate base.

Q. What do you recommend?

A. I recommend that the Commission reject DPL's claim to include CWIP in rate base. My adjustment to eliminate CWIP is shown in Schedule ACC-5.

C. <u>Cash Working Capital ("CWC")</u>

Q. What is CWC?

A. CWC is the amount of cash a utility needs in order to cover cash outflows between the time that revenues are received from customers and the time that expenses must be paid. For example, assume that a utility bills its customers monthly and that it receives monthly revenues approximately 30 days after the midpoint of the date that service is provided. If the Company pays its employees weekly, it will have a need for cash prior to receiving the

4 Order in Docket No. 09-414, paragraphs 67-68.

monthly revenue stream. If, on the other hand, the Company pays its interest expense quarterly, it will receive these revenues well in advance of needing the funds to pay interest expense.

Q. Do companies always have a positive CWC requirement?

A. No, they do not. The actual amount and timing of cash flows dictate whether or not a utility requires a CWC allowance. Therefore, one should examine actual cash flows through a lead/lag study in order to accurately measure a utility's need for CWC.

Q. Did the Company provide a lead/lag study in this case to support its CWC claim?

A. Yes, it did. The Company's claim is based on a lead/lag study that reflects the level of expenses being claimed in this case. The individual expense lag days are based on a review of invoices during the 2010 calendar year. Based on this study, DPL is requesting a CWC allowance of $10,911,605.

Q. Are you recommending any adjustments to the Company's CWC claim?

A. Yes, I recommend an adjustment to the expense lag used by DPL for payments to affiliated companies, including the Service Company. Expense lags are calculated based on three components: a service lag, a billing lag, and a payment lag. The service lag reflects the midpoint of the service period, so in the case of monthly billing the service lag would be 15.21 days (365 days/12/2). The billing lag is the amount of time after the end of the service period that a utility is billed, and the payment lag is the amount of time after receiving a bill that payment is made.

As shown in the response to PSC-RR-10, the Company calculated the net operating and maintenance ("O&M") expense lag by examining three types of O&M costs: payroll, affiliate transactions, and other O&M. It utilized an expense lag of 15.96 days for payroll, 14.43 days for affiliate transactions, and 35.19 days for other O&M. However, DPL is billed by affiliates monthly, on approximately the 15th business day of each month, for services provided in the preceding month. In its response to PSC-RR-94, the Company stated that:

> The intercompany billing, which would include transactions between DPL and the Service Company and other affiliates, is settled each month through the PHI Money Pool. Each month around the 15th business day, the settlement of the Intercompany Money Pool Balances (Intercompany Receivable and Payable Accounts) takes place for the preceding month.

Therefore, I am recommending that the Company's CWC claim be revised to reflect an expense lag for affiliate transactions that reflects the actual billing provisions for affiliated transactions. At Schedule ACC-6, I have made an adjustment to revise the expense lag associated with affiliated transactions to reflect an expense lag of 30.21 days. This lag is based on a service period of 15.21 days (365 days/12/2) and on a combined billing and payment lag of 15 days. The adjustment results in a $1.89 million decrease to DPL's CWC claim.

Q. Do you have any additional comments regarding CWC?

A. Yes. I have not attempted to reflect the impact of my recommended expense adjustments in my pro forma CWC recommendation. However, I recommend that the CWC requirement be updated to reflect the actual level of expenses, including interest expense, found by the PSC to be appropriate.

D. Prepayments

Q. What prepayments did the Company include in its rate base claim?

A. DPL's prepayment claim includes three components: Prepaid Pension Costs of $61,581,370, Accrued OPEB Liability of ($8,176,221), and Prepaid Insurance of $41,431. In addition, the Company's prepayment balance includes regulatory assets that the Commission approved in prior cases.

Q. Are you recommending any adjustments to the Company's claim?

A. Yes. My first two adjustments relate to the Company's claim for Prepaid Pension Costs and for Accrued OPEB Liability, both of which I recommend be eliminated from rate base. The Company first argued that Prepaid Pension Costs should be included in rate base in PSC Docket No. 05-304. In that case, the Company argued that it should be permitted to include an adjustment to rate base to compensate shareholders for the fact that the revenue requirement included a negative pension expense.

Since the adoption of Financial Accounting Standards Board No. 87 and No. 106, pension and OPEB expense have been determined on an actuarial basis. This methodology seeks to recover the cost of pension and OPEB benefits over the working lives of the employees who receive such benefits, based on assumptions about salary levels, earnings on fund balances, mortality rates, and other factors. There is a separate calculation that determines funding requirements. This Commission has adopted the actuarial methodology for determining pension and OBEP costs. In any given year, the actuarial valuation may be negative or positive. If the Company's assumptions were always 100% accurate, there would be a positive pension and OBEP expense each year. Moreover, an employee's benefits would be recognized over their working life. However, assumptions are never 100% accurate. Thus, in some years, pension (and OPEB) costs can be negative, based on the fact that assumptions in prior years overstated costs. For example, if one assumes a 5% return on investment, and actual returns are 7%, a negative expense may be booked in a subsequent year.

In PSC Docket No. 05-304, DPL included a negative pension expense in its revenue requirement. However, the Company argued that it was entitled to include an offsetting regulatory asset in rate base in order to provide a return to investors who were providing the working capital associated with the negative expense. The PSC agreed, noting "...we believe that the pre-paid pension asset is appropriately included in rate base because it is caused by a negative pension expense, which reduces base rates, resulting in rates that are lower than they otherwise might be, and at the same time creates a cash working capital requirement."[5]

5 Order No. 6930, PSC Docket No. 05-304, page 27.

Q. Is the Company proposing to include a negative pension expense in its revenue requirement in this case?

A. No, it is not. The Company no longer has a negative pension expense included in its revenue requirement. Thus, the basis for the inclusion of the pension asset in rate base is no longer valid. Accordingly, I am recommending that the regulatory asset associated with Prepaid Pension Costs be excluded from rate base. My adjustment is shown in Schedule ACC-7.

Moreover, I am also recommending that the Accrued OPEB Liability be excluded from rate base, even though in this case the Company's adjustment reduces its rate base claim. If the PSC is using actuarial values in a utility's revenue requirement, then I do not believe that it is appropriate to include any rate base components relating to true-ups of accrued versus funded liabilities. The accrual methodology already takes into account funding status. Moreover, over time the amounts contributed to the Company's pension and OPEB funds will equal its calculated accrual costs. While there will be timing differences due to variations in assumptions from year to year, and due to actual versus projected results, these variations will all be accounted for in subsequent actuarial studies. In my opinion, including rate base adjustments relating to pension and OPEB costs inappropriately combines the accrual methodology used in the actuarial studies, and which this Commission has adopted for ratemaking purposes, with the cash funding approach used by some other regulatory commissions. Accordingly, at Schedule ACC-8, I have also made an adjustment to eliminate the rate base credit of ($8,176,221) included by DPL relating to its OPEB liability.

Q. Please address the argument that a pension asset should be included in rate base because the Company has made contributions to the pension fund that represent a prepayment of pension expense.

A. A review of the derivation of the Company's pension asset shows that the asset is largely unrelated to the amount of contributions made by DPL to the pension fund. Since FAS 87 was adopted, the Company has made a total of $135 million of contributions to the pension fund. In fact, no contributions were made to the fund from the time that FAS 87 was adopted until 2009. Net earnings on the pension fund have far outpaced contributions. Over the past ten years, market returns on the fund totaled almost $1.38 billion. Thus, over the past 10 years, 90% of additions to the fund were the result of market earnings, and not contributions. Since no contributions were made from the adoption of FAS 87 through 2008, an analysis of the fund since FAS 87 was originally adopted would indicate that far more than 90% of fund additions were the result of market earnings. Thus, there is no basis for any contention that contributions to the fund have resulted in a prepayment that should be recovered from ratepayers.

Q. Do you have any other adjustments to the Company's claim for prepayments?

A. Yes. DPL included $41,431 of prepaid insurance costs in its rate base claim. However, as noted in the Company's response to PSC-RR-12, DPL also included these costs in its CWC claim, resulting in a double-counting of the prepaid insurance costs. In its response to PSC-RR-12, DPL stated that the Company would remove its $41,431 claim for prepaid insurance during the rebuttal phase of this case. Therefore, at Schedule ACC-9, I have made an adjustment to remove these prepaid insurance costs from rate base.

E. Recovery of Deferred Costs

Q. Does the Company's claim include recovery of deferred costs associated with various activities?

A. Yes, it does. The Company's rate base claim includes regulatory assets for which the Company is seeking recovery in this case. The Company has included regulatory assets relating to deferrals of Integrated Resource Plan ("IRP") costs, Bluewater Wind Request for Proposal ("RFP") costs, Dynamic Pricing ("DP") program costs, and Direct Load Control ("DLC") program costs. In addition, the Company is seeking recovery of a deferral relating to a change in the Medicare tax law.

Q. Did you attempt to utilize consistent principles when evaluating the Company's claims with regard to deferred costs?

A. Yes, I did. In evaluating the Company's claims for recovery of a regulatory asset, I evaluated factors such as the magnitude of the underlying cost, whether the PSC has previously approved deferred accounting treatment for the cost at issue, and the extent to which the program that is the subject of the deferral is successful and is currently providing service to utility customers.

Q. What general principles did you utilize in analyzing the deferred costs included in DPL's rate base claim?

A. First, I examined whether the PSC had approved the use of deferred accounting for these costs. Because of the prohibition against retroactive ratemaking, utilities should not be permitted to recover defer costs unless a regulatory agency has agreed to permit the utility to defer such costs.

Second, assuming that a utility has received approval from the regulatory commission to defer certain costs, I then reviewed the magnitude of the costs to determine whether all such costs were reasonable and appropriate. In most cases, approval of deferred accounting treatment, does not guarantee recovery of the deferred costs; regulatory commissions generally state that deferred costs will be reviewed in a future case in order to determine if the deferral should be recovered in rates, and if so, how much should be recovered. Regulation is not intended to be a reimbursement system. Rather, utility rates are established based on a Test Period concept and remain in place until the utility seeks a rate change from the regulatory agency or until the regulatory agency initiates a rate review. In the interim, the utility is responsible for managing its business in such a way as to provide safe and reliable service and to meet the requirements of its investors. Because of the inherent risk assumed by a utility's shareholders, utility rates include a return on equity that reflects a premium over a risk-free rate. In return for this cost of equity premium, shareholders are supposed to assume the risk of managing the utility between base rate case proceedings, including the risk of the utility incurring costs that were not anticipated. In most cases, approval by a regulatory agency to permit the utility to defer certain costs does not automatically authorize future recovery, but only authorizes a review of such costs in the future to determine if recovery is appropriate.

Third, in reviewing the regulatory assets included in the Company's claim, I also considered the status of the underlying project or program giving rise to the regulatory asset. If the underlying project or program is not yet substantially complete and providing benefits to customers, then I generally recommend that costs continue to be deferred until such time as the project is completed and the costs of the project can be examined in relation to the associated benefits. These are the three general principles that I have employed in reviewing the Company's claims for inclusion of regulatory assets in rate base.

1. Deferred Integrated Resource Plan ("IRP) Costs

Q. Please describe the Company's claim associated with deferred IRP costs.

A. DPL included deferred costs of $96,847 in rate base related to its IRP. These costs were partially offset by associated deferred taxes, so the net rate base adjustment is $57,474. As stated by Mr. Ziminsky on page 16 of his testimony, these costs were incurred in August 2009 and were associated with the Company's initial IRP filing. The Company claims that only costs through July 2009 were included in rates resulting from Docket No. 09-414 and therefore it is seeking recovery of these costs in this case. Moreover, the Company contends that it is authorized to recover these costs pursuant to 26 *Del. C.* §1007(c)(1)d, which states: "The costs that DP&L incurs in developing and submitting its IRPs shall be included and recovered in DP&L's distribution rates." The Company is proposing a 10-year amortization period for these costs, with rate base treatment of the unamortized balance.

Q. Do you agree with DPL's adjustment to include these costs in rate base?

A. No, I do not, for several reasons. First, there is nothing in the Order in PSC Docket No. 09-414 addressing additional IRP deferrals. The Order in that case indicates that rates include two uncontested adjustments, one relating to deferred IRP costs for the initial IRP and one relating to ongoing prospective IRP costs. Nor was there any authorization for deferral of these August 2009 IRP costs in the Order or Settlement Agreement in the Company's last electric case, PSC Docket No 11-528. Thus, there is no specific authority for a continuation of the deferral. Rather, the rates authorized in PSC Docket No. 11-528 were intended to include prospective costs associated with IRP activities. Moreover, in its Order in PSC Docket No. 06-241, which addressed the Company's initial IRP, the PSC stated that "the other initial costs incurred by Delmarva Power & Light Company in developing and submitting its IRP under the Act shall be included and recoverable in its next distribution rate case...In all subsequent cases, such costs shall be normalized as an expense in accordance with Commission practice."[6] (emphasis added). Thus, the Company was not authorized to continue a deferral of costs associated with its initial IRP. Instead, the Commission determined that recovery of such costs, to the extent required pursuant to statute, would be through normalizing annual IRP costs in future rate proceedings.

6 Order 7003 in PSC Docket No. 06-241, paragraph 7.

In addition, the magnitude of these costs does not justify a regulatory asset or the 10-year recovery period proposed by DPL. The Company's total distribution revenues in this case, at present rates, amount to $176.5 million and earnings amount to almost $30 million. The net $57,474 regulatory asset does not have a material impact on the Company's financial condition. Given the small magnitude of these costs, and the fact that the Company was not authorized to continue deferring these costs, I recommend that the Company's claim for recovery of this regulatory asset be denied. My adjustment is shown in Schedule ACC-10.

2. Deferred Bluewater Wind Request for Proposal ("RFP") Costs

Q. Please describe the Company's claim associated with deferred RFP costs.

A. DPL has included deferred costs of $48,469 in rate base related to its Bluewater Wind RFP process, which was part of its initial IRP. Given the associated offset of deferred taxes, the net rate base claim is $28,764. Similar to its claim for deferred IRP costs, DPL seeks recovery of deferred costs incurred in August 2009. Once again, the Company proposes a 10-year amortization period and rate base treatment of the unamortized balance.

Q. Do you agree with DPL's adjustment to include these deferred RFP costs in rate base?

A. No, I do not, for the same reasons expressed above with regard to IRP costs. A continuation of the deferral for RFP costs was not authorized in the Orders in either PSC Docket No. 09-414 or Docket No. 11-528. Moreover, the $28,764 rate base adjustment associated with the RFP is even smaller than the claim for other IRP costs. This cost certainly does not justify the use of deferred accounting, or recovery over a 10-year period. Asking ratepayers to pay a return on these costs for ten years ignores the fact that shareholders are supposed to take some risks associated with their investment. Given that these costs do not have a material impact on the Company's financial integrity and given the fact that the Commission did not specifically authorize a continuation of deferred accounting treatment, I recommend that the PSC deny the Company's claim for inclusion in rate base of $28,764 relating to the Bluewater Wind RFP. My adjustment is shown in Schedule ACC-11.

3. Deferred Dynamic Pricing Program Costs

Q. Please describe the Company's rate base claim relating to the DP deferral.

A. DPL has included $6,699,487 of deferred costs in rate base relating to its DP program. These costs are offset by deferred taxes of $2,632,887, for a net rate base claim of $3,843,284. This claim includes actual costs incurred by DPL as well as anticipated deferrals through December 31, 2013. The Company's claim includes costs related to customer education, outbound calls for DP events, costs for overflow customer call handling related to those events, and amortization expense associated with related systems.

Q. Did the Company receive PSC authorization to defer these costs?

A. DPL relies on Order No. 7420 for authorization to defer these costs. In that case, the Commission adopted the recommendation of the Hearing Examiner, who found that "Delmarva should offer its proposal to permit it to establish a regulatory asset to cover recovery of costs associated with the deployment of Advanced Metering Infrastructure and demand response equipment in its next base rate case. The Commission, the Staff, and other parties remain free to challenge the level or any other aspects of the asset's recovery in rates when Delmarva seeks recovery of the regulatory asset in base rates." I believe that the language of Order No. 7420 is broad enough to encompass the DP costs that are the subject of the Company's adjustment. However, the Order is also broad enough to permit the parties in this case to make a variety of recommendations with regard to cost recovery.

Q. How large was the regulatory asset associated with DP at the end of the Test Year?

A. At December 31, 2012, the regulatory asset had a balance of $413,576. However, in January 2013, the Company reclassified certain costs from the AMI regulatory asset to the DP regulatory asset. I understand that this reclassification was done in conjunction with a review by Staff. According to the response to AG-RR-165, DPL had incurred a total of $2,456,025 of costs relating to the DP program by December 31, 2012.

Q. What is the status of the DP program?

A. According to Mr. Ziminsky's testimony, DP was offered to a group of 6,904 Field Acceptance Test participants in the summer of 2012, and the Company is currently in the process of rolling it out to all of its Standard Offer Service customers. Thus, while the program is in the process of being deployed, it is my understanding that deployment is not yet complete and therefore the parties have not had the opportunity to fully assess the success of the program relative to the proposed costs.

Q. What do you recommend?

A. Since the DP program did begin during the Test Year with the field tests conducted last summer, I believe it is reasonable to permit DPL to reflect some cost recovery in the rates resulting from this case. With regard to deferred costs, I am recommending that the Company's rate base claim be limited to actual costs incurred through December 31, 2012, the end of the Test Year. My adjustment is shown in Schedule ACC-12. Additional costs that are deferred through December 31, 2013 should be evaluated once implementation is complete and the parties have more data on which to evaluate the program. Thus, the Company should continue to defer future DP program costs until the effective date of new rates in this proceeding.

As discussed in more detail later in my testimony, I am recommending that a normalized level of prospective costs associated with DP programs be included in rates resulting from this proceeding. Therefore, any deferral should end when new rates from this case become effective.

4. Deferred Direct Load Control ("DLC") Program Costs

Q. Please describe the Company's rate base claim relating to the DLC program costs.

A. The Company has included deferred costs of $9,616,281 in rate base relating to DLC program costs. These costs were offset with a deferred income tax adjustment of $3,909,499, resulting in a net rate base increase of $5,706,782. DPL did not have any deferred costs related to DLC programs at the end of the Test Year. Thus, the Company's entire claim relates to estimated costs in the post-Test Year period. DPL requests a 15-year amortization of these costs, with inclusion of unamortized costs in rate base. Once again, DPL is relying upon the Commission's approval of AMI costs in Order No. 7420 for its authority to defer these costs. In addition, Mr. Ziminsky points to the language in Order No. 8253, issued December 18, 2012, which stated:

> 5. That the Commission confirms that the language of Order No. 7420, in which the Commission "permit[ted] Delmarva to establish a regulatory asset to cover recovery of and on the appropriate operating costs associated with the deployment of Advanced Metering Infrastructure and demand response equipment," authorized Delmarva to establish a regulatory asset for costs incurred in implementing and monitoring the Cycling Program.
>
> 6. That, as stated in Order No. 7420 in Docket No. 07-28, "the Commission, Staff, and other parties remain free to challenge the level or any other aspects of the asset's recovery in rates when Delmarva seeks recovery of the regulatory asset in base rates." The burden of proof regarding any Cycling Program costs for which Delmarva may later seek recovery shall remain with Delmarva and shall not transfer to any other party as a result of our approval of the creation of the regulatory asset as set forth in Order No. 7420 (dated September 16, 2008).[7]

Q. What is the status of the DLC program?

A. According to Mr. Ziminsky's testimony, "[i]mplementation of the Direct Load Control program started late in 2012 and will continue through 2016...." Per the response to PSC-

7 Order No. 8253, PSC Docket No. 11-330, paragraphs 5-6.

RR-44, actual deployment did not begin until April 2013, well after the end of the Test Year in this case.

Q. What do you recommend?

A. Given the fact that the DLC program is still in its infancy, it is premature to provide for recovery of any of these costs at this time. Therefore, I recommend that the PSC exclude all deferred DLC program costs from the Company's rate base claim. Instead, the Company should continue to defer these costs. The parties should review these costs, either in the Company's next base rate case or in some other proceeding, to determine how much, if any, of these costs should be recovered from ratepayers and whether the Company should recover carrying costs on any deferral approved for recovery. This analysis should not occur until the DLC program is well along and the parties have the information necessary to review the success of the DLC program when they evaluate the reasonableness of the associated costs. My adjustment to remove from rate base the Company's claim for deferred DLC costs is shown in Schedule ACC-13.

5. <u>Deferred Medicare Tax Subsidy Costs</u>

Q. Please explain the Company's rate base claim for deferred Medicare subsidy costs.

A. This adjustment relates to a change in the law regarding Medicare Part D that resulted in a one-time charge to DPL of $110,507. The applicable legislation was enacted in March 2010. The Company has deferred these costs on its books of accounts. In this case, DPL is seeking a three-year recovery of these costs and to include the unamortized balance in rate base. The Company's proposed adjustment increases rate base by $54,650.

Q. Do you believe that the Company's claim is appropriate?

A. No, I do not. DPL did not request or receive Commission authorization to defer these costs when the legislation was enacted and it became known that the Company would be liable for an associated charge. Therefore, there is no basis to include these past costs in prospective rates. Permitting recovery of these costs would constitute retroactive ratemaking, given that the Company never received approval for a deferral. In addition, the magnitude of these costs is small. Shareholders should expect that from time to time they will be required to absorb unanticipated cost increases resulting from changes in tax laws or other factors. In my opinion, the net rate base costs of $54,650 and associated amortization expense does not justify the use of deferred accounting. Moreover, since the Company never received deferred accounting authorization, there is no basis to now permit the Company to include these costs in its revenue requirement. Accordingly, at Schedule ACC-14, I have made an adjustment to eliminate deferred Medicare Tax Subsidy costs from the Company's rate base claim.

F. Credit Facility Costs

Q. Please explain your recommended adjustment relating to the Company's rate base claim for credit facility costs.

A. DPL included a rate base adjustment of $520,111 and an operating expense adjustment of $337,108 relating to a short-term credit facility operated by PHI. The Company's claim includes annual recurring costs associated with the facility, as well as amortization of start-up costs. DPL requests that the average balance of unamortized costs be included in rate base and to allow shareholders to earn a return on this balance at DPL's overall cost of capital.

Q. Are you recommending any adjustment to the Company's claim?

A. Yes, I am recommending that these costs be eliminated from the Company's revenue requirement. The credit facility is a source of short-term debt for DPL. According to Mr. Ziminsky's testimony at page 30, "PHI's credit facility is vital for serving the day-to-day cash needs of its companies, such as Delmarva. These costs are recorded as interest expense for financial reporting purposes of the Company; however, they are not reflected in the cost of capital for ratemaking purposes and thus would otherwise not be recovered."

Q. Has the Company given ratepayers the benefit of lower cost financing associated with the credit facility?

A. No, it has not. Neither commercial paper nor short-term debt from the PHI credit facility is included in the Company's capital structure. Therefore, there is no way for ratepayers to benefit from the short-term financing provided by the credit facility through the ratemaking process. If ratepayers are not benefitting from this credit facility, then it is unreasonable to require them to pay the associated credit facility costs.

In addition, ratepayers are already paying for the "working capital" needs that the Company claims are being funded by the credit facility. The Company's working capital requirements, including CWC, materials and supplies, and prepaid insurance, are all rate base components. Ratepayers will be paying for this working capital through rates. Thus, the Company is asking ratepayers to fund its working capital needs, and it is also asking ratepayers to fund the credit facility, without providing ratepayers with any benefit from the lower cost financing associated with the credit facility. Ratepayers pay carrying costs for the working capital included in the Company's rate base at the overall weighted average cost of capital approved by the PSC. However, the Company admits that this working capital is being financed through the credit facility, at rates that are significantly lower than the overall weighted cost of capital. According to the response to PSC-COC-9, the Company's cost of short-term debt at December 31, 2012 was 0.38%, while the Company's proposed capital structure reflects a debt cost of 4.91% and an equity cost of 10.25%.

If the Company wants to exclude short-term debt from the capital structure, then it should either: (a) exclude all credit facility costs from its revenue requirement; or (b) exclude all working capital components from rate base. It should not be permitted to recover credit facility costs while at the same time excluding this low cost financing from the capital structure and charging ratepayers for its working capital requirements. Accordingly, at Schedule ACC-15, I have made an adjustment to eliminate the unamortized PHI credit facility costs from the Company's rate base. If the Commission permits DPL to recover any of these credit facility costs from ratepayers, then the Company's capital structure should be amended to reflect the inclusion of short-term debt.

Q. If the PSC believes that the Company should recover these credit facility costs in some manner, is there a better ratemaking treatment than including credit facility costs in DPL's regulated revenue requirement, as proposed by the Company?

A. Yes, there is. In PSC Docket No. 12-546, Staff witness Peterson testified that "the proper treatment of these costs is to recognize them as an increase in the effective costs of short-term debt in the calculation of Delmarva's AFUDC rate." As Mr. Peterson noted, the Company's AFUDC rate is based on the assumption that all short-term debt is used to finance CWIP. Therefore, if short-term debt is not included in the capital structure as a permanent source of financing, then DPL could recover credit facility costs through the short-term debt rate used in the AFUDC calculation. This method would better match the costs to ratepayers with the benefit resulting from the use of short-term debt.

G. Summary of Rate Base Issues

Q. What is the impact of all of your rate base adjustments?

A. My recommended adjustments reduce the Company's rate base claim from $754,706,868, as reflected in its filing, to $553,669,028, as summarized on Schedule ACC-3.

VI. OPERATING INCOME ISSUES

A. Salary and Wage Expense

Q. How did the Company determine its salary and wage claim in this case?

A. The Company's claim is based on projected payroll costs for the twelve months from November 2013 through October 2014. As shown in the Company's workpapers, DPL began with its Test Year costs for each month of the Test Year, separately identifying union and non-union employee costs. For IBEW Local 1238 employees, the Company annualized a Test Year increase of 2.0%, and reflected annual increases of 2% effective February 2013 and March 2013. For IBEW Local 1307 employees, the Company annualized a 2.0% increase effective June 2012 and included additional 2% increases effective June 2013 and June 2014. For non-union employees, the Company annualized a payroll increase of 3.00% that was effective during the Test Year. DPL reflected an additional non-union increase of 3.0%, effective March 1, 2013, and an additional non-union increase of 3.0% effective March 1, 2014. These adjustments resulted in an increase of $1,782,036 to the Company's Test Year Delaware Distribution expense.

Q. Are you recommending any adjustment to the Company's claim for salaries and wages?

A. Yes, I am recommending that only Test Year salary and wage increases be included in the Company's revenue requirement. I recommend that these increases be annualized, to reflect what the Company's costs would have been had these increases been in effect for a full twelve months. I recommend that the Commission exclude all post-test year increases from the Company's revenue requirement.

It should be noted that the Company selected the Test Year in this case. Most of the salary and wage increases reflected in its claim reach too far beyond the end of the Test Year to be included in rates resulting from this case, especially when one considers that the Company's claim is based on the number of customers at December 31, 2012. The Company has included post-test year increases reflecting salary and wage levels through October 2014, or almost two years beyond the end of the Test Year. Its adjustments distort the regulatory triad of synchronizing rate base, revenues, and expenses. Therefore, I recommend that the PSC limit salary and wage increases to the increases that occurred during the Test Year, annualized to reflect a full year of costs. My adjustment is shown at Schedule ACC-17.

B. <u>Incentive Compensation Program Expense</u>

Q. Please describe the Company's incentive compensation program.

A. The Company has included $1,993,802 of non-officer incentive compensation costs in its revenue requirement claim. The majority of these costs relate to the Company's Annual Incentive Plan ("AIP"), a copy of which was provided in the response to PSC-RR-54. This plan is available to all PHI management employees that do not participate in any other incentive plan. The plan has an earnings threshold, i.e., no payments are made unless earnings meet certain targeted levels. According to the 2012 AIP Plan, "[f]or Power Delivery employees, the Power Delivery's earnings [sic] must reach a 90% threshold to qualify for any potential payout. Corporate Services employees are eligible to receive a payout only to the extent that Power Delivery and/or Non-Regulated earnings meet or exceed threshold levels and such awards shall not exceed 50% of target if PHI corporate earnings do not meet or exceed threshold levels." In 2013, the structure of the AIP plan was changed slightly, so that the awards are now funded from an Enterprise Incentive Pool ("EIP"). Starting in 2013, actual earnings per share must exceed the 2013 budgeted earnings; otherwise no awards will be made. Thus, the program requires that financial goals be reached prior to any awards being made.

If the earnings threshold is met, an individual's award is then based on a combination of business unit goals and individual goals. Award percentages increase as pay scales rise. Thus, the highest paid employees are eligible for a proportionately greater incentive award. For example, while the target award for pay grades 1-4 is 5% of base pay, employees in pay grades 15-16 are eligible for awards of up to 15% of base pay. Thus, not only do more highly paid employees receive larger nominal awards, but they receive larger proportional awards as well.

Q. Did the Company include officer incentive program costs in its revenue requirement claim?

A. No, the Company made an adjustment to eliminate $2,175,633 in incentive program costs relating to officers.

Q. Do you believe that the incentive compensation program costs are appropriate costs to pass through to ratepayers?

A. No, I do not. I have several concerns about these types of programs, especially as designed and implemented by DPL. The Company's incentive plan is heavily weighted toward financial objectives in that no payout is made unless certain financial goals are met. Providing employees with a direct financial interest in the profitability of the Company is an objective that benefits shareholders, but it does not benefit ratepayers. In addition to the earnings thresholds that are in place, the individual goals, at both the Corporate level and Power Delivery level, also contain significant financial components.[8]

Incentive compensation awards that are based largely on earnings criteria or other financial variables may violate the principle that a utility should provide safe and reliable utility service at the lowest possible cost. This is because these plans require ratepayers to pay higher compensation costs as a consequence of high corporate earnings, a spiral that does not directly benefit ratepayers, but does directly benefit shareholders and the management to whom such awards are granted.

Incentive compensation plans tied to financial performance result in greater enrichment of company personnel as a company's earnings reach or exceed targets that are predetermined by management. It should be noted that it is the job of regulators, not the shareholders or company management, to determine what constitutes a just and reasonable rate of return award to shareholders in a regulated environment. Regulators make such a

8 The specific components are confidential but were provided in response to AG-RR-151.

determination by establishing a reasonable rate of return award on rate base in a base rate case proceeding.

Allowing a utility to charge for additional return that is then distributed to employees as part of some plan to divide extraordinary profits violates all sense of fairness to the ratepayers of the regulated entity. It is certain to result in burdensome and unwarranted rates to its ratepayers, and it also violates the principles of sound utility regulation, particularly with regard to the requirement for "just and reasonable" utility rates.

Q. What would be the appropriate response by the Commission if DPL's earnings were in excess of its authorized rate of return?

A. If the Commission determined that these excess earnings were expected to continue, the appropriate response would be to initiate a rate investigation, and, if appropriate, to reduce the utility's rates.

Q. Are DPL employees being well compensated separate and apart from these employee incentive plans?

A. Yes, they are. Since 2010, non-union employees have consistently been awarded annual payroll increases of at least 3.0%. Moreover, the Company has provided no evidence that its employees are underpaid or that it would have difficulty attracting qualified employees in the absence of these programs.

Q. Has the PSC previously addressed this issue?

A. Yes, in Docket No. 09-414, the Commission found that "...Delmarva has not met its burden of proving the amount of non-executive incentive compensation expense that is attributable to the achievement of safety, reliability or customer service goals...Consequently, we reject Delmarva's proposal to include any non-incentive executive compensation in its cost of service, based on the facts presented in this case."[9] While Mr. Ziminsky provided testimony in this case arguing that the incentive awards themselves are based on customer service criteria and should be included in cost of service, he ignored the fact that no awards are made unless certain financial goals are attained.

Q. What do you recommend?

A. Given that the underlying structure of the incentive compensation program has not changed, I recommend that the PSC deny the Company's request for recovery of incentive plan compensation costs, consistent with its finding in PSC Docket No. 09-414. My adjustment is shown in Schedule ACC-18.

C. <u>Payroll Tax Expense</u>

Q. What adjustment have you made to the Company's payroll tax expense claim?

A. Since I am recommending a reduction to the Company's claims for salaries and wages and incentive compensation costs, it is necessary to make a corresponding adjustment to

9 Order in PSC Docket No. 09-414, paragraphs 195-196.

eliminate certain payroll taxes from the Company's revenue requirement claim. At Schedule ACC-19, I have eliminated payroll taxes associated with my recommended salary and wage and incentive compensation plan adjustments. To quantify my adjustment, I utilized the average Social Security and Medicare tax rate of 5.37% reflected in the Company's filing and applied it to my recommended adjustments for salaries and wages and for incentive compensation program costs.

D. Relocation Expense

Q. Are you recommending any adjustment to the Company's claim for relocation expenses?

A. Yes, I am. A review of the Company's relocation expenses over the past several years indicates that the actual Test Year costs were significantly above costs for the prior three years, as shown below:

Year	Relocation Cost[10]
2012	$130,447
2011	$31,794
2010	$37,450
2009	$20,482

Therefore, it does not appear that the actual Test Year cost represents a normal, ongoing level of relocation expense. In addition, the Test Year cost is so much higher than the 2009-2011 costs that it does not appear to fall into the range of normal variations that can occur from

10 Per the response to AG-RR-20.

year to year in relocation costs. Including it in a calculation of a normalized expense level would skew the resulting average. For this reason, I am reluctant to include the 2012 cost in any calculation of a normalized prospective level of relocation costs.

Given these concerns, I am recommending that the PSC utilize a normalized cost of $37,450, reflecting the highest cost during the period 2009-2011. At Schedule ACC-20, I have made an adjustment to reduce the Company's cost claim for relocation expenses to reflect my recommended pro forma relocation cost.

E. Supplemental Executive Retirement Program ("SERP") Expense

Q. What are SERP costs?

A. These costs relate to supplemental retirement benefits for key executives that are in addition to the normal retirement programs provided by the Company. These programs generally exceed various limits imposed on retirement programs by the IRS and therefore are referred to as "non-qualified" plans. According to the Company's 2012 Proxy Statement at page 44:

> The PHI 2011 Supplemental Executive Retirement Plan, or the 2011 SERP, provides retirement benefits to participating executives in addition to the benefits a participate is entitled to receive under the Pepco Holdings Retirement Plan to supplement benefits which participants forego due to certain limitations on benefit calculations imposed by the Code. If the benefit payment that otherwise would have been available under the applicable benefit formula of the Pepco Holdings Retirement Plan is reduced due to a contribution or benefit limit imposed by law, the participant in the Pepco Holdings Retirement Plan is entitled to a compensating payment. In addition, a participant in the Pepco Holdings Retirement Plan is entitled to either or both of the following enhancements to the calculation of the participant's retirement benefit:
>
> ➢ the inclusion of compensation deferred under the Company's

executive deferred compensation plans; and

- to the extent not permitted by the Pepco Holdings Retirement Plan, the inclusion of annual cash incentive compensation received by the participant.

Q. What are the test year SERP costs that the Company has included in its claim?

A. As shown in the response to AG-RR-25, the Company incurred total SERP expense of $1,101,782 in the Test Year. The vast majority of these costs were allocated from the Service Company.

Q. Do you believe that these costs should be included in utility rates?

A. No, I do not. The officers of the Company are already well compensated. In 2012, Mr. Rigby's salary was $985,000, which represents an increase of almost 12% over his 2011 salary. Total compensation for the Named Executive Officers ("NEOs") ranged from $1.5 million for the new General Counsel, Mr. Fitzgerald, to over $11.3 million for Mr. Rigby. Moreover, the officers that receive SERP benefits are also included in the normal retirement plans of the Company, so ratepayers are already paying retirement costs for these executives. If DPL wants to provide further retirement benefits to select officers and executives then shareholders, not ratepayers, should fund these excess benefits. Therefore, I recommend that the Company's claim for SERP costs be disallowed. My adjustment is shown in Schedule ACC-21.

F. Medical Benefit Expense

Q. How did the Company determine its medical benefits expense claim in this case?

A. Mr. Ziminsky states on page 14 of his testimony that DPL's claim is based on a projected 8.0% increase in medical costs and on a projected 5.0% increase in dental and vision benefit costs. However, the actual increases shown on Schedule JCZ-9 amount to 12.0% for medical costs and 7.5% for dental and vision costs. The Company indicated that its projections were based on a study performed by Lake Consulting, its benefit plan consultant. That study was provided as an attachment to Mr. Ziminsky's testimony.

Unfortunately, the referenced study provides no data that is specific to DPL or PHI. Instead, the study is based on trends in medical premiums by several major insurance companies. Moreover, the study is based on trends in Virginia, Maryland, and the District of Columbia. Thus, there is no information about trends in medical premium costs in Delaware. However, even if the Commission found that cost trends in this state are similar to those in the areas included in the study, the Lake study still fails to support a post-test year adjustment for DPL's electric operations. The use of general cost trends does not rise to the level of a known and measurable change. DPL is self-insured for its medical benefit costs and therefore actual costs will vary depending on the specific amount of services required each year.

Q. What do you recommend?

A. Since the Company's adjustment is not based on data that is specific to DPL's medical benefits programs or to DPL's employees, I am recommending that the Commission reject the medical benefit adjustment. The use of general cost trends in neighboring states does not rise to the level of a known and measurable change for ratemaking purposes. Therefore, I recommend that the Company's revenue requirement be reduced to eliminate this post-test year cost adjustment. My recommendation is shown in Schedule ACC-22.

G. IRP Expense

Q. In addition to the rate base adjustment discussed earlier with regard to deferred IRP costs, did DPL also include an operating expense adjustment relating to the IRP?

A. Yes, it did. As discussed in Mr. Ziminsky's testimony, DPL included two operating expense adjustments relating to the IRP. First, DPL included an adjustment to revise the amount of prospective IRP costs from the level that is currently reflected in rates. As discussed earlier, the Commission stated in its Order in PSC Docket No.06-241 that IRP costs, other than those for the initial IRP filing, should be normalized. The Company's first adjustment is an attempt to normalize the operating costs associated with the IRP. Second, DPL made an adjustment to reflect the amortization of the deferred IRP costs over ten years. I am recommending adjustments to both of these expense claims.

Q. Please explain your first adjustment.

A. As shown in Schedule JCZ-13 to the Company's testimony, DPL is proposing a significant increase in prospective normalized IRP costs relative to the costs incurred in the Test Year. The Company claims that the IRP cycle covers a period of two years. Therefore, it has estimated IRP costs over a projected biennial IRP cycle of $1,745,000 and then included one year of those costs, or $872,500, in its revenue requirement claim.

The Company's cost claim with regard to the IRP cycle is speculative and does not represent a known and measurable change to the actual Test Year results. Nor is the Company's claim supported by reliable and quantifiable data. For example, over 50% of the Company's claim relates to consultants, outside legal counsel, and "special studies." These types of costs can vary greatly from budgeted amounts, especially when the parameters of the underlying project are not well defined.

Instead of relying upon the Company's speculative claim, I recommend that the Commission normalize these costs based on actual past experience. As shown in the response to PSC-RR-33, the costs claimed by DPL in this case are significantly higher than those that the Company has incurred since the IRP regulations were approved in Regulation Docket No. 60.

Year	IRP Costs
YTD 2013	$14,526
2012	$302,062
2011	$46,909
2010	$927,875
2009 (after Regulation Docket No. 60 approval)	$213,440
2009 Full Year	$367,373

Given the magnitude of the Company's claim relative to historic costs, and the speculative nature of the prospective costs claimed by DPL, I recommend that the PSC reject the Company's claim and instead utilize a three-year average (2010-2012) of actual costs to normalize prospective IRP costs. My adjustment is shown in Schedule ACC-23.

Q. What is your second adjustment?

A. My second adjustment eliminates the amortization expense associated with the Company's incremental deferred IRP costs. As addressed in the Rate Base Section of my testimony, DPL has included a deferral consisting of costs incurred in August 2009. The Company's claim is based on total deferred costs of $101,994. The Company is proposing a ten-year amortization period for these costs. For the reasons expressed earlier in the Rate Base section of my testimony, I recommend that this claim be denied. Therefore, at Schedule ACC-24, I have made an adjustment to eliminate the amortization expense associated with these deferred costs from the Company's revenue requirement.

H. Bluewater Wind RFP Expense

Q. Please explain the Company's adjustment relating to amortization expense associated with deferred RFP costs.

A. As discussed earlier, DPL has included a rate base adjustment relating to deferred costs incurred in August 2009 associated with the Bluewater Wind RFP. The Company is proposing to recover $51,020 in deferred costs. DPL included an amortization expense associated with recovering these costs over a 10-year period. Since I am recommending that the Company's claim for deferred accounting treatment be denied, it is necessary to make a corresponding expense adjustment to eliminate the amortization expense associated with these costs. My adjustment is shown in Schedule ACC-25.

I. <u>Dynamic Pricing Expense</u>

Q. How did the Company determine its expense claim associated with DP programs?

A. The Company's claim includes three components. First, DPL made an adjustment to reflect the amortization of deferred costs over 15 years. Second, the Company proposed an adjustment to reflect ongoing operating expenses in base rates. These costs are not currently included in rates but are being deferred. Similarly, DPL included an adjustment to reflect ongoing annual amortization costs associated with systems that are utilized to provide DP programs. The Company is also currently deferring these costs.

Q. Are you recommending any adjustment to the Company's claim?

A. Yes, I am recommending one adjustment. As noted earlier, I am recommending that recovery of deferred costs in this case be limited to actual costs incurred through December 31, 2012, the end of the Test Year. My revenue requirement recommendation therefore reflects deferred costs of $2,456,025 instead of the $6,699,487 included in the Company's filing. I have accepted DPL's proposal to amortize these costs over 15 years, resulting in an annual amortization of deferred costs of $163,735 instead of the $446,632 proposed by the

Company. My recommendation is shown in Schedule ACC-26.

Q. Are you recommending any adjustment to the Company's claim for ongoing operating expenses and amortization expense associated with systems used to provide DP?

A. No, I am not. I am not opposed to the Company's request to begin to recover prospective costs associated with the DP program in its base rates. I have reviewed the Company's claim relative to historic costs and I believe that DPL's claim represents a normalized level of prospective operating costs. Therefore, I am not recommending any adjustment to the Company's claim. Once new rates are effective, then DPL should stop deferring costs associated with DP programs. The balance of costs deferred between the end of the Test Year and the implementation date of new rates in this case should be addressed in the Company's next base rate case or in some other regulatory venue.

J. <u>DLC Costs</u>

Q. Please describe the Company's claim relating to expenses associated with the DLC program.

A. As discussed earlier, DPL is seeking to include in rate base its estimated deferred costs through December 31, 2013 relating to its DLC program. The Company also included an expense adjustment to reflect annual amortization costs associated with amortizing this projected deferral over 15 years, for a an annual amortization expense of $663,192.

The DLC program is still in its infancy. No costs had been deferred by the end of the

Test Year. In addition, DPL only recently started to implement this program and full implementation is not expected for several years. Therefore, I am recommending that all costs associated with this program continue to be deferred. Amortization of deferred costs should not begin until the DLC program is much further along and the parties can better evaluate the benefits and costs of the program. Therefore, at Schedule ACC-27, I have made an adjustment to eliminate the Company's proposed annual amortization expense associated with the DLC program.

K. Medicare Tax Subsidy Expense

Q. Please explain the Company's adjustment relating to amortization of the Medicare Tax deferral.

A. DPL is proposing to defer and amortize costs $110,507 of costs incurred in March 2010 relating to a change in the law regarding Medicare taxes. The Company is requesting a three-year amortization of these costs, with the unamortized balance included in rate base. Earlier I addressed the Company's rate base adjustment. Since I am recommending that the Company's claim for deferred accounting treatment of these costs be denied, it is necessary to make an adjustment to eliminate the annual amortization expense. My adjustment is shown in Schedule ACC-28.

L. Regulatory Expense

Q. How did the Company develop its regulatory expense claim?

A. DPL's regulatory expense claim is based on total estimated costs for the current rate case of $632,600. This includes $315,000 in external legal costs, $92,600 for a cost of capital witness, $25,000 for a court reporter and notice costs, and $200,000 for PSC costs. The Company is proposing to amortize this amount over 3 years. In addition, DPL included non-rate case related costs of $53,316 in its claim, based on a three-year average of such costs.

Q. Are you recommending any adjustment to the Company's claim for regulatory costs?

A. Yes, I believe that the Company's claim is excessive. This is especially true of the claim for cost of capital services, considering that the same witness was engaged to provide testimony in multiple Pepco Holdings, Inc. ("PHI") jurisdictions, as well as in multiple cases in the same jurisdiction.

In order to determine a normalized level of rate case costs, I recommend that the PSC utilize an average of DPL's costs in its last three base rate electric proceedings. As shown below, this results in a pro forma cost of $426,432:

Case No.	Rate Case Expense
Docket No. 11-528	$634,054
Docket No. 09-414	$245,241
Docket No. 05-304	$400,000
Average	$426,432

I have accepted the Company's proposal to use a three-year normalization period for rate case costs associated with the current proceeding. Accordingly, at Schedule ACC-29, I have made an adjustment to reflect prospective annual costs of $142,144 ($426,432/3), based on the average costs over the last three electric rate cases and on a three-year normalization period.

M. Credit Facility Expense

Q. Has DPL requested recovery of operating costs associated with a PHI credit facility?

A. Yes, it has. As noted earlier, DPL included a rate base adjustment of $502,111 and an operating expense adjustment of $337,108 relating to a short-term credit facility operated by PHI.

Q. Are you recommending any adjustment relating to the Company's claim for credit facility costs?

A. Yes, I am. Since the Company excludes short-term debt from its capital structure, then these costs should not be recovered in base rates. It is unreasonable to permit these costs to be recovered in base rates unless ratepayers are receiving the benefit of the lower short-term debt rates. Ratepayers should not be paying for the credit facility unless the associated benefits are also reflected in rates. Therefore, at Schedule ACC-30, I have made an adjustment to eliminate the prospective operating expenses associated with the credit facility from base rates. This is similar to my earlier recommendation to eliminate the start-up costs of the credit facility from rate base.

N. Corporate Governance Expense

Q. What level of corporate governance costs has DPL included in its claim in this case?

A. In the Test Year, the Service Company billed DPL (total company) $21.08 million for corporate governance costs. These costs have increased significantly over the past few years, as shown below:

Year	DPL's Share of Corporate Governance Costs
2012	$21,079,148
2011	$17,147,292
2010	$13,477,978
2009	$12,036,573
2008	$12,208,583

In addition to general increases in the level of costs being incurred, two other factors have contributed to this increase. First, in 2010, PHI sold Conectiv Energy. This sale resulted in fewer entities over which corporate governance costs could be allocated. Second, the Company changed its methodology for allocating corporate governance costs, which resulted in a significant decline in the percentage of costs charged to PHI, and a corresponding increase in the percentage of costs allocated to subsidiaries such as DPL. In the response to AG-RR-172, DPL stated that this change in methodology was due to a new allocation ratio adopted "as part of the extension and modification of the PHI Service Agreement as of January 1, 2011." While approximately 5.0% of corporate governance costs was billed to PHI prior to the change in allocation, in 2011 only 0.23% of such costs was billed to PHI and the allocation fell even further, to 0.06%, in the Test Year.

Q. Are you recommending any adjustments to the Company's claim for corporate governance costs?

A. Yes, I am recommending that costs associated with certain External Affairs activities be disallowed unless the Company can demonstrate that such costs have a direct benefit to customers or have been removed elsewhere from the Company's filing. External Affairs costs generally relate to interaction with legislators and/or community organizations and are designed to promote the company's political agenda and/or corporate image. While it appears from the Company's response to AG-RR-146 that costs that are clearly identifiable as lobbying have been booked below-the-line, there are several categories of External Affairs costs that appear to relate to these activities and which have been billed to DPL. These include public relations, corporate citizen social responsibility, strategic communications, PAC committee, and corporate contributions. I am recommending that these costs be disallowed. Just as ratepayers should not be required to pay direct lobbying costs, they should not be required to pay for "soft" lobbying either. Unless a cost is directly related to the provision of utility service and provides a benefit to ratepayers, it should not be included in regulated rates. The costs that I recommend be disallowed are the types of costs that promote shareholder and corporate interests. If the Company wants to incur these costs, they should be borne by the Company's shareholders and not its ratepayers. My adjustment to eliminate certain External Affairs costs is shown in Schedule ACC-31.

Q. Didn't the Company indicate in Schedule No. 3-F to the Minimum Filing Requirements

("MFRs") that no charitable contributions were included in its cost of service?

A. Yes, it did. However, the corporate contributions identified as External Affairs costs from the Service Company were not identified as being booked below-the-line in the Company's discovery response. Therefore, I was unable to ascertain if these specific costs were actually excluded from the Company's revenue requirement. If the Company can demonstrate that it has already excluded from its revenue requirement corporate contributions or other portions of the External Affairs costs that I recommend be disallowed, then I will revise my recommendation accordingly.

O. Meals and Entertainment Expense

Q. Are you recommending any adjustment to the Company's meals and entertainment expense claim?

A. Yes, I am. According to the response to AG-RR-55, the Company has included in its filing approximately $298,182 of meals and entertainment expenses that are not deductible on its income tax return. These are costs that the IRS has determined are not appropriate deductions for federal tax purposes. If these costs are not deemed to be reasonable business expenses by the IRS, it seems appropriate to conclude that they are not reasonable business expenses to include in a regulated utility's cost of service. Accordingly, at Schedule ACC-32, I have made an adjustment to eliminate these costs from the Company's revenue requirement.

Q. Did the Company provide any additional information about these costs?

A. No, it did not. However, in its most recent Proxy Statement, PHI acknowledged that the Company incurred costs for a variety of sporting and entertainment events. Moreover, it stated that such perquisites were made available to employees when not needed for "business purposes." I find it difficult to conceive of a business purpose that would support ratepayers paying for tickets to entertainment or sporting events. Clearly, these are costs that should be borne by the Company's shareholders, and not its ratepayers. While there may be costs for certain meals included in this category that should be borne by ratepayers, there are also clearly costs which should be entirely excluded from the Company's revenue requirement. Therefore, my recommendation to use the 50% IRS criteria provides a reasonable balance between shareholders and ratepayers and should be adopted by the Commission.

P. Membership Dues Expense

Q. Are you recommending any adjustment to the Company's claim for membership dues?

A. Yes, I am. The Company identified a total of $315,474 of Dues and Membership expenses in Exhibit 3-G to the MFRs. The most significant cost relates to dues to the Edison Electric Institute. Most of the other dues are for memberships in various Chambers of Commerce. The Company's claim also includes dues to such organizations as the Art League of Ocean City, Inc., the Girl Scouts, and the Committee of 100.

Many of these organizations, including the Chambers of Commerce, participate in lobbying activities. In addition to explicit lobbying costs, most of these organizations also engage in other activities that should not be charged to ratepayers, such as public affairs, media relations, and other advocacy initiatives. Other organizations, such as the Girl Scouts, do not have a direct link to the provision of safe and reliable utility service and should not be paid for by Delaware ratepayers.

Q. Are lobbying costs an appropriate expense to include in a regulated utility's cost of service?

A. No, they are not. Lobbying expenses are not necessary for the provision of safe and adequate utility service. Ratepayers have the ability to lobby on their own through the legislative process. Moreover, lobbying activities have no functional relationship to the provision of safe and adequate regulated utility service. If the Company were to immediately cease contributing to these types of efforts, utility service would in no way be disrupted. For all these reasons, I recommend that costs associated with lobbying activities, and other activities that are not directly related to the provision of service, be disallowed.

Q. How did you quantify your adjustment?

A. I am recommending that 20% of the Company's membership dues identified in MFR Exhibit G-3 to the Company's filing be disallowed on the basis that such costs constitute lobbying activities or should not otherwise be charged to cost of service. I recognize that the specific level of lobbying/public affairs/media activity varies from organization to organization. However, based on my review of these organizations and on recommendations in other utility rate proceedings, I believe that a 20% disallowance is a reasonable overall recommendation. My adjustment is shown in Schedule ACC-33.

Q. Did the Company make any adjustment to eliminate lobbying costs from its revenue requirement claim?

A. While the Company claims that no lobbying costs are included in its claim, it has failed to quantify how much, if any, of these costs were eliminated on the basis of lobbying. In AG-RR-53 we asked the Company to quantify any portion of dues or membership fees that are directed toward lobbying activities by the respective entities. Instead of identifying dues used for lobbying activities, the Company responded that "[p]ortions of dues or membership fees identified as lobbying activities by the organization are not included in this filing." In AG-RR-54, we asked the Company to identify all lobbying costs incurred in the Test Year and to identify the amount of any such costs included in the Company's claim. Again, it failed to quantify the costs incurred and instead stated only that "[l]obbying costs identified by an organization and incurred by the Company are not included in this filing." We tried again with a follow-up question, AG-RR-158. In response, the Company stated that lobbying costs are booked to a below-the-line account, but again failed to identify either the organizations that engaged in lobbying or the amount of dues recorded below-the-line.

It is very important to know how much, if any, of these costs have been identified as lobbying by the Company. These organizations frequently take a very narrow view of what constitutes lobbying and therefore identify only a very small portion of their costs as "lobbying" costs. At this point, I am unable to ascertain whether my recommended adjustment double-counts any amounts removed by DPL from its claim, so I am assuming that my entire adjustment is incremental to any amounts that may have been booked below-the-line by DPL. If this is not correct, then DPL can provide to me the information that I repeatedly requested in discovery and I will revise my recommendation, if necessary.

Q. Depreciation Expense

Q. Have you made any adjustment to the Company's claim for pro forma depreciation expense?

A. Yes, I have made one adjustment. Since I am recommending that post-test year plant additions be excluded from rate base, it is necessary to make a corresponding adjustment to eliminate the associated depreciation expense. At Schedule ACC-34, I have made an adjustment to eliminate depreciation expense associated with the post-test year utility plant additions that I recommend excluding from rate base.

R. Allowance for Funds Used During Construction ("AFUDC")

Q. How did the Company reflect AFUDC in its filing?

A. The Company included AFUDC earnings of $965,309 in its revenue requirement. The AFUDC was included as earnings because DPL proposes to include CWIP in rate base. As discussed in the Rate Base section of my testimony, I am recommending that the PSC eliminate CWIP from the Company's pro forma rate base. Therefore, it is necessary to make a corresponding adjustment to remove the AFUDC from earnings. The impact of this adjustment is to reduce the Company's pro forma earnings at present rates by $965,309. My adjustment is shown in Schedule ACC-35.

S. Interest Synchronization

Q. Have you adjusted the pro forma interest expense for income tax purposes?

A. Yes, I have made this adjustment at Schedule ACC-36. It is consistent (synchronized) with my recommended rate base and with the capital structure and cost of capital recommendations of Mr. Parcell. I am recommending a lower rate base than the rate base included in the Company's filing, which results in a lower pro forma interest expense for the Company. This lower interest expense, which is an income tax deduction for state and federal tax purposes, will result in an increase to the Company's income tax liability under the DPA's recommendations. Therefore, I have included an interest synchronization adjustment that reflects a higher pro forma income tax expense for the Company and a decrease to pro forma income at present rates.

T. Income Taxes and Revenue Multiplier

Q. What income tax factors have you used to quantify your adjustments?

A. As shown on Schedule ACC-37, I have used a composite income tax factor of 40.65%, which includes a state income tax rate of 8.7% and a federal income tax rate of 35%. These are the state and federal income tax rates contained in the Company's filing.

My revenue multiplier, which is shown in Schedule ACC-38, incorporates these tax rates. In addition, the revenue multiplier also reflects a regulatory tax of 0.3%, a City of Wilmington tax of 0.106%, and a bad debt expense ratio of 0.825%, resulting in a revenue multiplier of 1.70606. This is the same revenue multiplier used by DPL in its filing.

VII. REVENUE REQUIREMENT SUMMARY

Q. What is the result of the recommendations contained in your testimony?

A. My adjustments indicate a revenue deficiency at present rates of $7,309,999, as summarized on Schedule ACC-1. This recommendation reflects revenue requirement adjustments of $34,733,758 to the Company's requested revenue increase of $42,043,757.

Q. Have you quantified the revenue requirement impact of each of your recommendations?

A. Yes, at Schedule ACC-39, I have quantified the revenue requirement impact of the rate of return, rate base and expense recommendations contained in this testimony.

Q. Does this conclude your testimony?

A. Yes, it does.

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	11-258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
REVENUE REQUIREMENT SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position	
1. Pro Forma Rate Base	$754,706,868	($201,037,840)	$553,669,028	(B)
2. Required Cost of Capital	7.53%	-0.44%	7.09%	(C)
3. Required Return	$56,829,428	($17,574,294)	$39,255,134	
4. Operating Income @ Present Rates	32,185,654	2,784,755	34,970,409	(D)
5. Operating Income Deficiency	$24,643,774	($20,359,048)	$4,284,726	
6. Revenue Multiplier	1.70606		1.70606	(E)
7. Revenue Increase	**$42,043,757**	**($34,733,758)**	**$7,309,999**	

Sources:
(A) Company Filing, Schedule JCZ-2.
(B) Schedule ACC-3.
(C) Schedule ACC-2.
(D) Schedule ACC-16.
(E) Schedule ACC-38.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
REQUIRED COST OF CAPITAL

	Capital Structure (%) (A)	Cost Rate (%) (A)	Weighted Cost (%)
1. Long Term Debt	50.78%	4.91%	2.49%
2. Common Equity	49.22%	9.35%	4.60%
3. Total Cost of Capital	100.00%		**7.09%**

Sources:

(A) Testimony of Mr. Parcell, Schedule DCP-1.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
RATE BASE SUMMARY

	Company Claim (A)	Recommended Adjustment		Recommended Position
1. Utility Plant in Service	$1,106,124,352	$0		$1,106,124,352
2. Accumulated Depreciation	(408,653,578)	0		(408,653,578)
3. Net Plant	697,470,774	0		$697,470,774
Plus:				
4. Post Test Year Plant Closing	$66,794,140	($66,794,140)	(C)	$0
5. Construction Work in Progress	70,154,772	(70,154,772)	(B)	0
6. Cash Working Capital	10,911,605	(1,889,057)	(D)	9,022,548
7. Materials and Supplies	18,164,174	0		18,164,174
8. Prepayments	57,392,839	(53,446,580)	(E)	3,946,259
9. IRP Deferral	57,474	(57,474)	(F)	0
10. RFP Deferral	28,764	(28,764)	(G)	0
11. Dynamic Pricing Deferral	3,843,284	(2,385,510)	(H)	1,457,774
12. Direct Load Control Deferral	5,706,782	(5,706,782)	(I)	$0
13. Refinancing Costs	2,976,401	0		2,976,401
14. Medicare Subsidy Deferral	54,650	(54,650)	(J)	$0
15. Credit Facility Costs	520,111	(520,111)	(K)	$0
Less:				0
16. Deferred FIT Reserve	($162,161,551)	$0		($162,161,551)
17. Deferred ITC	(1,853,616)	0		(1,853,616)
18. Customer Deposits	(13,702,572)	0		(13,702,572)
19. Customer Advances	(1,651,163)	0		(1,651,163)
20. Total Rate Base	**$754,706,868**	**($201,037,840)**		**$553,669,028**

Sources:
(A) Company Filing, Schedule JCZ-1, pages 1-2.
(B) Schedule ACC-4.
(C) Schedule ACC-5.
(D) Schedule ACC-6.
(E) Schedules ACC-7, ACC-8, and ACC-9.
(F) Schedule ACC-10.
(G) Schedule ACC-11.
(H) Schedule ACC-12.
(I) Schedule ACC-13.
(J) Schedule ACC-14.
(K) Schedule ACC-15.

Schedule ACC-4

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
POST TEST YEAR PLANT ADDITIONS

1. Company Plant Adjustments	$70,006,809	(A)
2. Depreciation Reserve	4,032,911	(A)
3. Net Plant Adjustment	$74,039,720	
4. Deferred Income Taxes	(7,245,580)	(A)
5. Net Rate Base Adjustment	**($66,794,140)**	

Sources:
(A) Company Filing, Schedule JCZ-25.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
CONSTRUCTION WORK IN PROGRESS

1	Company Claim	$70,154,772	(A)
2.	Recommended Adjustment	**($70,154,772)**	

Sources:
(A) Company Filing, Schedule JCZ-1, page 1.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
CASH WORKING CAPITAL

	Amount	Lag Days	Dollar Days
	(A)	(A)	(A)
1. O&M Payroll	$32,932	15.96	$525,595
2. Affiliate Transactions	125,469	30.21	3,790,209
3. Other O&M	22,892	35.19	805,569
4. Total	181,293	28.25	5,121,374
5. Revenue Lag (B)		52.14	
6. Net Lag		23.89	
7. Percentage Lag (C)		6.55%	
8. Company O&M Claim (B)		$184,270,618	
9. Pro Forma O&M Working Capital (D)		$12,061,319	
10. Company O&M Working Capital Claim (B)		10,172,262	
11. Recommended Adjustment		**($1,889,057)**	

Sources:

(A) Response to PSC-RR-10.
(B) Company Filing, Rate Base Workpapers, WP#8.
(C) Line 6 / 365 Days.
(D) Line 7 X Line 8.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
PREPAID PENSION ASSET

1. Company Claim	$61,581,370	(A)
2. Recommended Adjustment ($)	**($61,581,370)**	

Sources:
(A) Cost of Service, Rate Base Workpapers, WP #11.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
PREPAID OPEB LIABILITY

1.	Company Claim	($8,176,221)	(A)
2.	Recommended Adjustment ($)	**$8,176,221**	

Sources:
(A) Cost of Service, Rate Base Workpapers, WP #11.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
PREPAID INSURANCE

1. Company Claim	$41,431
2. Recommended Adjustment	**($41,431)**

Sources:
(A) Response to PSC-RR-12.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
INTEGRATED RESOURCE PLAN DEFERRAL

1. Company Claim	$57,474	(A)
2. Recommended Adjustment	**($57,474)**	

Sources:
(A) Company Filing, Schedule JCZ-14.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
BLUEWATER WIND RFP DEFERRAL

1. Company Claim	$28,764	(A)
2. Recommended Adjustment	**($28,764)**	

Sources:
(A) Company Filing, Schedule JCZ-15.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
DYNAMIC PRICING COST DEFERRAL

1.	Costs Incurred Through 12/31/12		$2,456,025	(A)
2	Deferred Taxes @	40.65%	998,251	
3.	Rate Base Impact		$1,457,774	
4.	Company Claim		3,843,284	(B)
5.	Recommended Adjustment		**($2,385,510)**	

Sources:

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
DIRECT LOAD CONTROL COST DEFERRAL

1.	Company Claim	$5,706,782	(A)
2.	Recommended Adjustment	**($5,706,782)**	

Sources:
(A) Company Filing, Schedule JCZ-22.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
MEDICARE TAX SUBSIDY DEFERRAL

1.	Company Claim	$54,650	(A)
2.	Recommended Adjustment	**($54,650)**	

Sources:
(A) Company Filing, Schedule JCZ-28.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
CREDIT FACILITY START UP COSTS

1. Company Claim	$520,111	(A)
2. Recommended Adjustment	**($520,111)**	

Sources:
(A) Company Filing, Schedule JCZ-30.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
OPERATING INCOME SUMMARY

			Schedule No.
1.	Company Claim	$32,185,654	1
	Recommended Adjustments:		
2.	Salary and Wage Expense	952,678	17
3.	Incentive Compensation Program Expense	1,183,421	18
4.	Payroll Tax Expense	93,972	19
5.	Relocation Expense	55,198	20
6.	Supplemental Executive Retirement Plan Expense	653,963	21
7.	Medical Benefit Expense	318,253	22
8.	IRP Recurring Costs	265,248	23
9.	Amortization of Deferred IRP Costs	6,051	24
10.	Amortization of Deferred RFP Costs	3,028	25
11.	Amortization of Deferred Dynamic Pricing Costs	167,914	26
12.	Amortization of Direct Load Control Costs	392,278	27
13.	Amortization of Medicare Tax Subsidy Deferral	12,975	28
14.	Rate Case Expense	40,791	29
15.	Credit Facility Expense	200,090	30
16.	Corporate Governance Expense	226,139	31
17.	Meals and Entertainment Expense	96,224	32
18.	Membership Dues Expense	20,361	33
19.	Depreciation Expense - Post Test Year Plant	1,088,676	34
20.	Allowance for Funds Used During Construction	(965,309)	35
21.	Interest Synchronization	(2,027,196)	36
22.	Operating Income	**$34,970,409**	

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
SALARY AND WAGE EXPENSE

1. Pro Forma Salary and Wage Expense		$64,621,110	(A)
2. Company Claim		67,361,039	
3. Recommended Adjustment		$2,739,929	
4. Delaware Distribution (%)		58.58%	
5. Delaware Distribution Amount		$1,605,051	
6. Income Taxes @	40.65%	652,373	
7. Operating Income Impact		**$952,678**	

Sources:
(A) Based on Test Year Costs per Company Filing, Earnings Workpaper 8.1, adjusted to annualize Test Year increases.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
INCENTIVE COMPENSATION PROGRAM EXPENSE

1. Non-Executive DPL Expense		$1,993,802	(A)
2. Income Taxes @	40.65%	810,381	
3. Operating Income Impact		**$1,183,421**	

Sources:
(A) Response to PSC-RR-32.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
PAYROLL TAX EXPENSE

1. Salary and Wage Expense Adjustment		$952,678	(A)
2. Incentive Compensation Expense Adjustment		1,993,802	(B)
3. Total Recommended Adjustments		$2,946,480	
4. Effective Tax Rate		5.37%	(C)
5. Recommended Payroll Tax Adjustment		$158,322	
6. Income Taxes @	40.65%	64,350	
7. Operating Income Impact		**$93,972**	

Sources:
(A) Schedule ACC-17.
(B) Schedule ACC-18.
(C) Derived from pro forma rate per Company Filing, Schedule JCZ-7.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
RELOCATION EXPENSE

1. Normalized Expense		$37,450	(A)
2. Company Claim		130,447	(A)
3. Recommended Adjustment		$92,997	
4. Income Taxes @	40.65%	37,799	
5. Operating Income Impact		**$55,198**	

Sources:
(A) Based on the response to AG-RR-20.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
SUPPLMENTAL EXECUTIVE RETIREMENT PLAN EXPENSE

1. Recommended Expense Adjustment		$1,101,782	(A)
2. Income Taxes @	40.65%	447,819	
3. Operating Income Impact		**$653,963**	

Sources:
(A) Response to AG-RR-25.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
MEDICAL BENEFIT EXPENSE

1. Recommended O&M Adjustment		$536,185	(A)
2. Income Taxes @	40.65%	217,932	
3. Operating Income Impact		**$318,253**	

Sources:
(A) Company Filing, Schedule JCZ-9.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
IRP RECURRING COSTS

1. Recommended Expense		$425,615	(A)
2. Company Claim		872,500	(B)
3. Recommended Adjustment		$446,885	
4. Income Taxes @	40.65%	181,636	
5. Operating Income Impact		**$265,248**	

Sources:
(A) Based on information in PSC-RR-33.
(B) Company Filing, Schedule JCZ-13.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
AMORTIZATION OF DEFERRED IRP COSTS

1. Recommended Adjustment		$10,194	(A)
2. Income Taxes @	40.65%	4,143	
3. Operating Income Impact		**$6,051**	

Sources:
(A) Company Filing, Schedule JCZ-14.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
AMORTIZATION OF DEFERRED RFP COSTS

1. Recommended Adjustment		$5,102	(A)
2. Income Taxes @	40.65%	2,074	
3. Operating Income Impact		**$3,028**	

Sources:
(A) Company Filing, Schedule JCZ-15.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
AMORTIZATION OF DEFERRED DYNAMIC PRICING COSTS

1. Deferred Costs Through 12/31/12		$2,456,025	(A)
2. Amortization Period		15	(B)
3. Annual Amortization		$163,735	
4. Company Claim		446,632	(B)
5. Recommended Adjustment		$282,897	
6. Income Taxes @	40.65%	114,983	
7. Operating Income Impact		**$167,914**	

Sources:
(A) Schedule ACC-12.
(B) Company Filing, Schedule JCZ-19.

Schedule ACC-27

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
AMORTIZATION OF DEFERRED DIRECT LOAD CONTROL COSTS

1. Total Recommended Adjustment		$663,192	(A)
2. Income Taxes @	40.85%	270,914	
3. Operating Income Impact		**$392,278**	

Sources:
(A) Company Filing, Schedule JCZ-22.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
AMORTIZATION OF MEDICARE TAX SUBSIDY DEFERRAL

1. Recommended Adjustment		$21,860	(A)
2. Income Taxes @	40.65%	8,885	
3. Operating Income Impact		**$12,975**	

Sources:
(A) Company Filing, Schedule JCZ-28.

Schedule ACC-29

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
RATE CASE EXPENSE

1. Pro Forma Cost		$426,432	(A)
2. Recommended Amortization Period		3	(B)
3. Annual Amortization		$142,144	
4. Company Claim		210,867	(B)
5. Recommended Adjustment		$68,723	
6. Income Taxes @	40.65%	27,933	
7. Operating Income Impact		**$40,791**	

Sources:
(A) Based on three year average per the response to PSC-RR-20.
(B) Company Filing, Schedule JCZ-4.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
CREDIT FACILITY EXPENSE

1. Total Recommended Adjustment		$337,108	(A)
2. Income Taxes @	40.65%	137,018	
3. Operating Income Impact		**$200,090**	

Sources:
(A) Company Filing, Schedule JCZ-30.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
CORPORATE GOVERNANCE EXPENSE

1.	Public Relations		$185,253	
2.	Corporate Citizen Social Responsibility		264,751	
3.	Strategic Communications		214,885	(A)
4.	PAC Committee		2,449	
5.	Corporate Contributions		33,430	(A)
6.	Total Recommended Adjustments		$700,768	
7.	DPL Distribution Percentage		92.81%	(B)
8.	DPL Distribution Amount		$650,383	
9.	Delaware Distribution Percentage		58.58%	(C)
10.	Delaware Distribution Amount		$380,994	
11.	Income Taxes @	40.65%	154,855	
12.	Operating Income Impact		**$226,139**	

Sources:
(A) Response to AG-RR-146.
(B) Based on Outside Services Employed allocation per Company Filing, Cost of Service.

Schedule ACC-32

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
MEALS AND ENTERTAINMENT EXPENSE

1. Test Year Meals Expense Dues		$298,182	(A)
2. Allocation to Distribution		92.81%	(B)
3. Allocation to Distribution ($)		$276,743	
4. Allocation to Delaware (%)		58.58%	(B)
5. Allocation to Delaware ($)		162,116	
6. Income Taxes @	40.65%	65,892	
7. Operating Income Impact		**$96,224**	

Sources:
(A) Response to AG-RR-55.
(B) Based on Miscellaneous Expense allocation per Company Filing, Cost of Service.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
MEMBERSHIP DUES EXPENSE

1. Test Year Membership Dues		$315,474	(A)
2. Recommended Adjustment (%)		20%	(B)
3. Membership Dues Adjustment		$63,095	
4. Allocation to Distribution		92.81%	(C)
5. Allocation to Distribution ($)		$58,558	
6. Allocation to Delaware (%)		58.58%	(C)
7. Allocation to Delaware ($)		34,303	
8. Income Taxes @	40.65%	13,943	
9. Operating Income Impact		**$20,361**	

Sources:
(A) Company Filing, MFR., Schedule No. 3-G, Part 5.
(B) Testimony of Ms. Crane.
(C) Based on Miscellaneous Expense allocation per Company Filing, Cost of Service.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
DEPRECIATION EXPENSE - POST TEST YEAR PLANT

1. Depreciation Expense Adjustments		$1,834,178	(A)
2. Income Taxes @	40.65%	745,502	
3. Operating Income Impact		**$1,088,676**	

Sources:
(A) Company Filing, Schedule JCZ-25.

Schedule ACC-35

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

1. Company Claim	$965,309	(A)
2. Operating Income Impact	**($965,309)**	

Sources:
(A) Company Filing, Cost of Service.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
INTEREST SYNCHRONIZATION

1. Pro Forma Rate Base		$553,669,028	(A)
2. Weighted Cost of Debt		2.49%	(B)
3. Pro Forma Interest Expense - LTD		$13,804,619	
4. Company Claim		18,792,185	(C)
5. Recommended Adjustment		($4,987,566)	
6. Increase in Income Taxes @	40.65%	(2,027,196)	
7. Operating Income Impact		**($2,027,196)**	

Sources:
(A) Schedule ACC-3.
(B) Schedule ACC-2.
(C) Adjustment 33 and 34. Excludes interest on customer deposits.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
INCOME TAX RATE

1. Revenue		100.00%	
2. State Income Taxes @	8.70%	8.70%	(A)
3. Federal Taxable Income		91.30%	
4. Income Taxes @	35.00%	31.96%	(A)
5. Operating Income		0.5934500	
6. Total Tax Rate		**40.65%**	(A)

Sources:
(A) Company Filing, MFR, Schedule No. 5, Part 7.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
REVENUE MULTIPLIER

1. Revenue		100.00%	
Less:			
2. Regulatory Tax		0.30%	(A)
3. Local Tax - City of Wilmington		0.11%	(A)
4. Bad Debt Expense		0.83%	(A)
5. Taxable Income		98.77%	
6. State Income Taxes @	8.70%	8.59%	(A)
7. Federal Taxable Income		90.18%	
8. Income Taxes @	35.00%	31.56%	(A)
9. Operating Income		58.61%	
10. Revenue Multiplier		**1.70606**	

Sources:
(A) Company Filing, MFR, Schedule No. 5, Part 7.

DELMARVA POWER AND LIGHT COMPANY
TEST YEAR ENDING DECEMBER 31, 2012
REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS

1. Capital Structure/Cost of Capital	($5,665,332)
Rate Base Adjustments:	
2. Post Test Year Plant Closing	($8,079,396)
3. Construction Work in Progress	(8,485,897)
4. Cash Working Capital	(228,500)
5. Prepayments	(6,464,880)
6. IRP Deferral	(6,952)
7. RFP Deferral	(3,479)
8. Dynamic Pricing Deferral	(288,551)
9. Direct Load Control Deferral	(690,290)
10. Medicare Subsidy Deferral	(6,610)
11. Credit Facility Costs	(62,912)
Operating Income Adjustments	
12. Salary and Wage Expense	($1,625,325)
13. Incentive Compensation Program Expense	(2,018,988)
14. Payroll Tax Expense	(160,322)
15. Relocation Expense	(94,172)
16. Supplemental Executive Retirement Plan Expense	(1,115,700)
17. Medical Benefit Expense	(542,958)
18. IRP Recurring Costs	(452,530)
19. Amortization of Deferred IRP Costs	(10,323)
20. Amortization of Deferred RFP Costs	(5,166)
21. Amortization of Medicare Tax Subsidy Deferral	(22,136)
22. Amortization of Deferred Dynamic Pricing Costs	(286,471)
23. Amortization of Direct Load Control Costs	(669,250)
24. Rate Case Expense	(69,591)
25. Credit Facility Expense	(341,366)
26. Corporate Governance Expense	(385,807)
27. Meals and Entertainment Expense	(164,164)
28. Membership Dues Expense	(34,737)
29. Depreciation Expense - Post Test Year Plant	(1,857,347)
30. Allowance for Funds Used During Construction	1,646,875
31. Interest Synchronization	3,458,518
32. Total Recommended Adjustment	($34,733,758)
33. Company Claim	42,043,757
34. Recommended Deficiency	**$7,309,999**

APPENDIX C

REFERENCED DATA REQUEST*

AG-RR-20
AG-RR-25
AG-RR-53
AG-RR-54
AG-RR-55
AG-RR-146 (partial)
AG-RR-158
AG-RR-165
AG-RR-172

PSC-RR-10 (partial)
PSC-RR-12
PSC-RR-20
PSC-RR-32
PSC-RR-33
PSC-RR-44
PSC-RR-54 (partial)
PSC-RR-94 (partial)

*Confidential responses not included

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FIRST SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-20

Provide the total relocation expenses in each of the last three years and as reflected in the filing.

RESPONSE:

Please see attached.

Respondent: Kathleen A. White/Jay Ziminsky

Delmarva Power & Light Company
DPL DE Distribution Relocation Expenses

2012 Relocation Summary

Employee	Amount
A	115.23
B	165.83
C	2,815.61
D	13,411.90
E	3,923.88
F	3,579.52
G	(271.12)
H	7,979.60
I	8,937.10
J	28,373.96
K	4,877.69
L	12,824.23
M	(271.12)
N	7,292.53
O	13,913.93
P	17,755.24
Q	5,023.20
	$ 130,447.20

2011 Relocation Summary

Employee	Amount
A	$ 220.02
B	$ 110.01
C	$ 368.86
D	$ 7,718.81
E	$ 135.90
F	$ 194.14
G	$ 2,988.66
H	$ 200.22
I	$ 685.95
J	$ 9,762.24
K	$ 8,957.35
L	$ 452.27
	$ 31,794.43

2010 Relocation Summary

Employee	Amount
A	$ 100.03
B	$ 1,952.58
C	$ 3,103.11
D	$ 24,859.02
E	$ 5,613.28
F	$ 317.88
G	$ 151.13
H	$ 294.20
I	$ 1,036.17
J	$ 22.43
	$ 37,449.83

2009 Relocation Summary

Employee	Amount
A	2,130.56
B	3,496.05
C	2,667.27
D	478.18
E	1,671.31
F	372.58
G	3,219.52
H	885.37
I	1,063.70
J	871.16
K	450.47
L	3,176.17
	$ 20,482.35

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FIRST SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-25

Fully describe any SERP benefits. Quantify any SERP costs included in the Company's test period claim, and describe how the Company's claim for SERP costs was determined.

RESPONSE:

A description of PHI's Supplemental Executive Retirement Plans is available in the PHI 2013 Proxy Statement beginning on page 70 which is available at the following link:

http://www.pepcoholdings.com/_res/documents/2013ProxyStatement.pdf

The test period cost of service SERP expense was $1,101,782, which includes costs directly charged to DPL and its allocated portion of Service Company costs.

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FIRST SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-53

For each entity for which dues and membership expenses are included in the filing, identify any portion of dues or membership fees that are directed toward lobbying activities by the organization.

RESPONSE:

Portions of dues or membership fees identified as lobbying activities by the organization are not included in this filing.

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FIRST SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-54

Identify all lobbying costs incurred by the Company in the test year and identify the amount of lobbying costs, if any, included in the Company's claim.

RESPONSE:

Lobbying costs identified by an organization and incurred by the Company are not included in this filing.

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FIRST SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-55

Provide the amount of meals expenses included in the Test Year but disallowed for tax purposes.

RESPONSE:

The amount of meal expense included in the test year (2012) but disallowed for tax purposes is $298,182.

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FOLLOW UP SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No.: AG-RR-146

Identify, by department or function, the Service Company costs charged to DPL in each of the past five years.

RESPONSE:

Please reference Attachments 1 through 5 for the Service Company charges to DPL during the requested periods.

Respondent: Kathleen A. White

Service Company Billings to Delmarva
2012

Cost Elements	Current 1000 Total Delmarva Power Light
SC60018 Treasury-Ex Adm Asst	
SC60054 Associate General Counsel	7,878.00
SC6009 PES Executive Management	
SC60127 Treasury Management	
SC60146 Corp Compliance-Dir	
SC6402 Financial Services Executive	17,458.54
SC6403 Executive Administrative Asst	
SC6421 Government Affairs	
SC6453 Controller Admin	
SC6475 Off of VP & Gen Coun	13,728.00
SC6490 Corporate Secretary	15,811.00
SC6500 Controller	3,312.00
SC6645 VP PHI Public Policy	125,828.00
SC6649 Admin - PHI Public Policy	
SC7178 Exec -Storm (Elec)	2,923.70
SC7192 923 Exec Stm ACE/Pep	
SC7402 Chief Financial Officer	385,086.27
SC7408 PES Management	
SC7413 Exec Costs-Corp Svcs	44,025.99
SC7414 Sr VP & Chief Risk	165,428.21
SC7419 Chairman, Pres & CEO	1,049,830.03
SC7421 Sr. VP & Gen Coun BL	67,916.07
SC7424 Exec Stck Comp - CS	2,130,209.94
SC7425 Exec Stock Compensation - PES	
SC7427 Ret Exec Costs-B/L	7,202.01
SC7442 Executive Vice President PHI	390,356.29
SC7444 EVP Non-Resource	225,109.38
SC7446 PHI Public Policy	433,712.91
SC7458 PHI Board Meeting Expenses	491,687.77
SC7476 Public Policy - Below the Line	26,661.95
SC7491 Corporate Secretary	614,424.64
SC7492 Sr. V.P. & General Counsel	438,341.11
SC7538 Treasury & Inv Relat	345,630.27
SC7544 Controller Services	288,512.07
SC7655 Governmental Affairs Services	445,981.18
SC7869 Corporate Compliance	133,624.82
SC7876 VRM - Executive Support	36,003.10
SC7877 CFO Org - Below Line	2,649.82
SC7926 PHI Deferred Compensation	297,882.96
SC7928 SERP	2,112,151.79
** Executive Management	10,319,367.82
SC6017 Security System Associate	
SC6580 Security Services	

	SC7963 Security	534,289.81
*	Security Services Administration	534,289.81
	SC6554 Supply Chain Delivery Buyer	64,771.00
	SC6632 Logistics Administrative	1,780.00
	SC6864 Operations Support Services	
	SC7536 Operations Support Logistics	602,044.06
	SC7552 Procurement-Delivery BusLine	151,288.77
	SC7984 Stores Projects	
*	Storeroom Procurement & Materials Mgmt	819,883.83
	SC6011 Chauffeur	
	SC6540 VRM Administration	13,968.00
	SC7540 Vehicles	558,342.51
*	Vehicle Resource Management	572,310.51
	SC60075 Metrics & Acct - Mgr	
	SC60093 VP Supp Svcs - Admin	
	SC60094 Manager - ACE / DPL Buildings	96,234.00
	SC60095 GM Facilities& Fleet	65,206.00
	SC60097 Disbursement Services Manager	2,050.00
	SC6042 Strategic Sourcing - Managers	1,800.00
	SC6471 Supplier Diveristy Specialist	
	SC6556 Sup Chain Infra Byr	110,699.50
	SC6560 Supply Chain Administration	41,784.00
	SC6761 Strt Src Svc-Con Adm	8,109.00
	SC7197 VP Support Services	679,052.75
	SC7547 S&P Services & Process	328,178.22
	SC7548 Supplier Diversity	220,674.66
	SC7549 S&P Operations	285,928.01
	SC7809 Stratgc Src - Rebate	(83,275.44)
	SC7837 Metrics & Acct - SS	358,042.69
	SC7843 ORP Initiatives	84,116.29
	SC7887 HR & Disbursement Management	187,696.20
	SC7981 Strategic Sourcing - PD	952.41
	SC7982 Strat Sourc-PD Elec	82,259.58
*	General Services	2,469,507.87
	SC6901 CSC - Finished Space	
	SC7530 Facilities	74,754.97
	SC7531 Building Residual Allocation	225,758.96
	SC7822 Building Security - Washington	
	SC7921 CSC Fin Space Residl	(66,599.77)
	SC7965 Building Residuals	637,082.54
	SC7989 PHISCO Unfin Sp Res	12,112.40
*	Building Services	883,109.10
	SC6570 Real Estate Management	209,936.00
	SC6572 Real Estate Administration	54,690.75
	SC7570 Real Estate	133,850.34
*	Real Estate	398,477.09
	SC7535 Conference Center Usage	67,679.14
	SC7872 PHISC Conf Ctr Resid	37,171.26
*	Conference Center Usage	104,850.40
	SC60098 Pepco Doc Svc Super	
	SC6568 Reprodctn Svcs-Cmptl	1,495.00
	SC7821 Reprographics	445,455.20

	SC7959 Printing & Duplication	
	SC7960 Mail Center & Distribution	570,746.23
*	Mail, Record Retention & Repro Svcs.	1,017,696.43
**	Procurement & Administrative Services	6,800,125.04
	SC6440 Accounts Payable Accountant	690.00
	SC6441 Accounts Payable Clerk	1,167.75
	SC7506 Accounts Payable Services	643,995.26
	SC7813 AP Non-Labor Costs	1,045.88
*	Accounts Payable Accounting Services	646,898.89
	SC6442 Payroll Accountant	1,051.00
	SC6443 Payroll Clerk	880.00
	SC6950 Payroll	165,540.00
	SC7507 Payroll Services	6,983.80
	SC7874 Payroll Resid SC EE	3,799.42
*	Payroll Services	178,254.22
	SC6445 Asset & Proj Acctnt	166,912.75
	SC7508 Asset & Project Accounting	274,194.15
	SC7814 Asset Acct Non-Labor	174,258.48
	SC7815 Controller Services-Asset	17,243.67
*	Asset and Project Accounting Services	632,609.05
	SC60058 Regulatory Svc-Admin	1,045.00
	SC60059 Regulatory Finance - Analyst	1,732.80
	SC60060 Regul Comp Prc-Analy	362,819.00
	SC60061 Regul Comp Pr-Sup/Mg	157,632.50
	SC60062 Interco Acctg-Mgr	46,780.00
	SC60063 Interco Acctg-Accntn	12,738.50
	SC60064 Interco Acctg-Ac Sup	265.00
	SC60066 Econ & Fore-Sup/Mgr	200,776.00
	SC6007 Power Delivery Accountant	143,972.75
	SC60137 Revenue Acctg - Mgmt	60,941.50
	SC60138 Disbursements Accountant	4,511.00
	SC60139 Disbursements Management	282.00
	SC60176 VP & Controller-PES	
	SC6022 Regulatory Analyst	179,322.50
	SC6045 Admin Asst-Acct/Rept	
	SC6087 Tax Manager / Supervisor	135,689.75
	SC6410 Treasury	3,853.00
	SC6412 Treasury Support Specialist	33,004.00
	SC6413 Treasury Coordinator	3,600.00
	SC6414 Financial Forecasting	
	SC6417 ACE/DPL Revenue Requirements	160,960.00
	SC6420 Tax Accountant	134,227.50
	SC6425 Retire Ast/Liab Mgmt	
	SC6427 Budget Coord-Anlyst	7,571.00
	SC6448 Corp Accounting-Wilm	32,843.00
	SC6449 Revenue Accountant	430,406.00
	SC6458 Corporate Acct-Wash	201,527.50
	SC6459 Financial Reporting	8,744.50
	SC6482 Pricing & Regulations Analyst	465.75
	SC6483 Rates & Reg Practice	964.00
	SC6504 Regulatory Reporting	192,123.00
	SC6636 EVP & Chief Reg Off	22,139.00

SC6638	Manager - Regulatory Affairs	364,322.00
SC6887	Sarbanes Compl Srvs	
SC6893	Rates Supvr/Mgr	119,030.00
SC6895	Rates & Reg Supv/Mgr	20,758.00
SC6896	Regulatory Strategy Analyst	93,724.25
SC6897	Reg Stratg Suprv/Mgr	63,813.00
SC6898	Regul Srvs Suprv/Mgr	17,824.50
SC6952	Accounting Manager	76,953.75
SC6953	Accounting Support	454.00
SC6954	Accounting Director	11,992.00
SC6955	Resch & Contrl Coord	1,863.00
SC6956	Manager of Research & Controls	30,456.00
SC6957	Accounting Research Director	7,233.00
SC6960	Director - Tax Services	7,089.00
SC6961	PD Tax Mgr/Supv	16,758.00
SC6962	Power Delivery Tax Accountant	109,385.50
SC6965	Strategic Planning	
SC7165	426.5 Reg Affrs-B/L	8,717.63
SC7180	Disbursements Accounting	162,121.52
SC7269	Power Delivery Accounting	112,515.72
SC7280	PHI Investments - Finance	
SC7369	Economics and Forecasting	149,947.76
SC7373	Regulatory Compliance Pricing	49,699.72
SC7374	Regulatory Finance	98,476.03
SC7396	PHI Acctg & Report	197,417.24
SC7418	Cash Management	339,352.26
SC7420	Tax Services	1,129,697.19
SC7443	EVP & Chief Reg Off	206,432.81
SC7447	Corp Accounting-Wash	82,346.18
SC7450	Investor Relations	560,444.34
SC7452	Financial Forecasting	341,105.83
SC7454	Corporate Budgeting	455,069.41
SC7455	Retire Asst/Liab Mgt	190,967.26
SC7456	Invest Finan Mgmt	3,578.22
SC7457	Strategic & Financial Planning	321,378.85
SC7472	Corporate SOX Compliance	132,708.16
SC7480	Regulatory Services	121,231.44
SC7481	Rate Design	12,725.12
SC7482	Rates & Technical Service	31,096.49
SC7484	Regulatory Strategy & Policy	244,416.33
SC7487	Regulatory Affairs Leadership	512,548.02
SC7488	Regulatory Reporting	22,315.38
SC7499	Corp Accounting-Wilm	549,047.14
SC7503	External Reporting	344,395.14
SC7509	Intercompany Accounting	316,568.71
SC7539	Accounting Research & Controls	241,997.98
SC7545	Revenue Accounting	95,337.18
SC7566	Controller Svcs-PD	60,372.01
SC7571	PwC Costs	683,136.14
SC7817	Controller Svcs-TFR	83,134.08
SC7841	ORP Init-Fin Report	(264.31)
SC7842	ORP Initiative - Tax	4.08

	SC7868 Controller - PES	
	SC7985 ACE/DPL Revenue Requirements	149,120.90
*	Other Financial Services	11,491,750.51
	S54350 Cap Adjust. Other	
	SC7919 Salary Accruals	72,584.39
*	Salary Accruals	72,584.39
	SC7415 Service Company Interest	182,478.77
	SC7416 PHISCO Tax Allocation	223,910.33
	SC7417 Corporate Expenses	56,185.24
	SC7429 Investment Earnings & Finance	(16,271.62)
	SC7564 Accounts Payable Accruals	(349,098.70)
*	Other Corporate Expenses	97,204.02
**	Financial Services & Corporate Expens	13,119,301.08
	SC7464 Property Insurance Expense	456,482.18
*	Property Insurance	456,482.18
	SC7465 Excess Liab Ins Exp	1,480,276.78
*	General Liability Insurance	1,480,276.78
	SC7463 D&O Insurance Expense	398,341.61
*	Directors & Officers Insurance	398,341.61
	SC7473 Auto Insurance Expense	
*	Vehicle Insurance	
	SC6428 Corporate Insurance	
	SC7195 Corp Insurance B/L	333.60
	SC7459 Insurance Administration	165,907.13
*	Insurance Administration Services	166,240.73
	SC7428 Co Owned Life Ins	(224,519.92)
	SC7462 Misc Insur Exp	22,167.47
*	Miscellaneous Insurance	(202,352.45)
	SC6470 Claims	360,701.00
	SC7460 Claims Admin-Nth Reg	62,608.74
*	Claims Administration Services	423,309.74
**	Insurance Coverage and Services	2,722,298.59
	SC7800 Benefit Residual	(356,835.38)
	SC7804 Vacation Accrual	666,410.24
	SC7806 PHISCO Payroll Tax Residual	(83,436.79)
	SC7990 PHISCO Pension Residual	704,279.84
	SC7991 PHISCO OPEB Residual	(246,873.31)
*	Cost of Benefits	683,544.60
	SC6990 Exec Comp Mgmt	3,503.50
	SC7819 Executive Compensation	219,868.88
*	Executive Compensation Services	223,372.38
	SC60115 HR Benefits Support	286,936.00
	SC6476 Office of VP & Human Resources	57,000.00
	SC6530 HR Client Svcs Rep	
	SC6578 HR Benefit Consultant	572.00
	SC6755 HR Employee Services	309,008.00
	SC6782 HR Adm Services - Analyst	721.50
	SC6784 HR Staffing Consultant	
	SC6785 HR Staffing - Consultant	2,560.00
	SC6786 HR Staffing - Manager	
	SC6801 Manager - HR Operations	
	SC6815 PPT Team Member	

	SC7264 Talent Management & Diversity	421,959.17
	SC7873 Emp Rel Res B/L SC	164,165.55
	SC7875 Emp Rel Resid for SC	1,153,492.50
	SC7879 HR Adm Services	116,121.13
	SC7880 HR Staffing	350,900.68
	SC7881 HR Client Services	28,828.97
	SC7882 HR Benefits Support	3.58
	SC7943 PS & HR Depreciation	12,523.32
	SC7945 VP Human Resources	189,272.80
	SC7971 Talent Strat & Work	264,982.42
	SC7972 Compensation Srvs	89,780.12
	SC7974 HR Employee Srv Costs	45,294.78
	SC7979 PHI Business Partner	441,058.78
*	Other Human Resources Services	3,935,181.30
**	Human Resources	4,842,098.28
	SC60057 VP Legal Services	261,286.00
	SC6059 Legal Administrative Support	27,000.25
	SC6491 Legal	1,148,769.75
	SC6492 Paralegal	65,504.00
	SC7490 Legal Services	1,511,533.41
	SC7824 Legal - Human Resources	74,105.84
	SC7825 Legal - Environmental	3,313.50
	SC7828 Legal - Finance	53,833.34
	SC7832 DPL/Pepco Legal-MAPP	16,263.01
	SC7834 PHISC Sup Chn Leg Sp	61,550.03
	SC7835 Legal - Electric Delivery	6,658.73
	SC7836 ACE / PEPCO Legal	
	SC7878 Legal HR Below the Line	295,804.38
	SC7889 Legal Support - Audit Services	1,435.09
	SC7890 Legal Suppt - Reg MD	165,868.57
	SC7893 Legal Suppt - Ext Af	51.08
	SC7895 Legal Suppt - IT	3,156.52
	SC7896 Legal Supp - PD Tran	74.10
**	Legal Services	3,696,207.60
	SC6495 Internal Audit	215,680.50
	SC6496 Internal Audit - Manager	18,991.50
	SC6497 Internal Audit Director	5,431.00
	SC7495 Internal Audit	640,367.59
	SC7808 PHI PD Electric Internal Audit	4,052.66
	SC7867 923 DPL / Pepco Internal Audit	5,165.27
**	Audit Services	889,688.52
	SC6603 CC Spec Bill Anylst	11,440.25
	SC6881 Special Billing - Washington	
	SC7605 Customer Care Special Billing	560,369.14
	SC7970 Special Billing	
*	Special Billing	571,809.39
	SC60010 Cust Comp-ACE/DPL	275,237.00
	SC60013 Low Income Issues - ACE / DPL	32,281.00
	SC60014 Cust Rel Admin-PHI	2,398.00
	SC60073 Customer Programs - Analyst	147,087.75
	SC60074 Customer Programs - Manager	90,861.00
	SC60091 Comm Acct Mgmt-Mgr	4,505.00

SC60092	KAST North-Acct Coor	7,840.00
SC60113	Revenue Process Manager	5,708.00
SC60150	ACE/DPL GPC Mgmt	63,412.04
SC60151	PHI GPC Mgmt	57,418.00
SC60152	CRB Project - Mgmt	7,684.00
SC60155	Customer Experience Management	5,970.00
SC60156	DSM Program Management	248,071.24
SC60157	DSM Manager	348.00
SC60158	DSM Analyst	5,065.50
SC60163	CRB Functional-Lvl 2	18,865.00
SC60164	CRB Chng Mgmt-Lvl 1	2,760.00
SC60167	CRB Soltn Arch-Lvl 2	4,646.00
SC60168	CRB Technical-Lvl 1	
SC60169	CRB Technical-Lvl 2	
SC6019	Performance Consulting	124,031.88
SC6268	ED Marketing-Consultant	17,191.00
SC6586	CC Cr & Collect Supp	3,813.75
SC6587	CC Cr & Collect Anly	450.50
SC6588	CC Cr & Collect Supv	174.00
SC6595	CC Perform Analyst	72,119.70
SC6596	CC Training Consultant	89,342.25
SC6612	CC Supr Call Center	292,600.70
SC6614	Customer Care Call Center Rep	884,371.20
SC6619	Customer Care Analyst Admin	1,513.00
SC6633	Sr Call Center Rep	1,266.30
SC6714	Call Center - Outreach	470,925.20
SC6728	CustCare Cash Receip	795.50
SC6730	Customer Care Billing Suppt	324,015.25
SC6731	Customer Care Billg Analyst	10,774.50
SC6732	Cust Care Superv	10,491.00
SC6733	Customer Care Bill Outreach	51,103.10
SC6744	CCC Supervisor	15,361.00
SC6745	CCC Rep	280,045.10
SC6754	Cust Care Seniors	28,954.00
SC6757	Customer Care Billing CRT	4,751.00
SC6934	Mtr Per-Anl-Exmpt	84,049.00
SC6935	Mtr Per-Reps-BU	7,840.00
SC6975	ED Marketing - Director	
SC6997	PHI Billing Management	
SC7159	DFd Dyn Pric-Restr	48,162.24
SC7167	EmPower MD Adv-Dfd	3,680.63
SC7168	Dfd Rs EE Prog-Tran	860.71
SC7169	AMI Recoverable - Operational	1,415,006.56
SC7171	AMI - Elec DPL/PEP	1,019,792.79
SC7172	AMI Operations	392,744.46
SC7173	DLC Common Cost - Deferred	61,896.64
SC7177	Cust C -Storm (Elec)	34,190.52
SC7181	903 ACE/DPL GPC Team	(14,544.09)
SC7182	903 PHI GPC Team	92,950.82
SC7183	903 Cust Bill Sys Pr	272,127.65
SC7185	903 Customer Care DPL/Pepco	8,066.78
SC7187	903 Customer Experience	215,740.19

SC7188	908 DSM Blueprint	39,546.10
SC7191	908 PHI ERIP-Cus Eng	6,271.42
SC7196	Customer Programs	102,188.24
SC7237	PD Marketing/TPS-MCP	202,355.79
SC7275	Quality Monitoring - Revenue	298,147.80
SC7276	Quality Monit - Oper	12,553.57
SC7278	Outreach	571,487.32
SC7290	Carney's Pt. Call Center - MSM	80,797.89
SC7291	Salisbury Call Center - MSM	25,615.25
SC7292	Call Ctr Tech Sp-MSM	3,254.73
SC7294	Quality Monitoring - MSM	3,138.36
SC7298	PHI Mtr Svc-Mtr Read	652.67
SC7372	PHI Billing	74,800.54
SC7382	CR Research ACE/DPL	264,427.47
SC7383	CR Research PHI	229,975.76
SC7384	Res Eng Eff Prog-Dfd	(101.27)
SC7385	C&I Eng Eff Prog-Dfd	
SC7386	MD Egy AwrEE Prg Dfd	1,361.98
SC7388	DSM-Maryland Com-Dfd	60,066.61
SC7398	Direct Load Control - Deferred	(586.70)
SC7435	PHI MDMS	1,087,529.28
SC7436	AMI Recoverable	715,587.36
SC7437	PMO Recoverable	95,488.26
SC7438	MDMS Recoverable	1,099,706.52
SC7478	Utility of the Future	192,811.68
SC7573	CC Training - MSM	1,486.19
SC7575	Perf Consult & Enhan	756,658.94
SC7576	Cust Svc Billing Cost Center	707,398.61
SC7582	CC Training-Revenue	141,197.22
SC7584	CC Training-Operate	5,945.18
SC7586	Salisbury Call Center-Revenue	2,433,456.14
SC7588	Salisbury Call Center-Operate	102,461.37
SC7591	Bill Expert	59,204.32
SC7592	CC Admin - MSM	3,602.72
SC7593	Call Center-OTS Proc	2,608,014.42
SC7594	Cash Remittance Processing	426,049.81
SC7596	Customer Care Billing	3,070,198.89
SC7597	Credit & Collections	1,694,657.02
SC7598	Carney CC-Revenue	7,675,804.62
SC7602	CC Administration-Revenue	342,259.81
SC7613	C3 System Support Costs	4,666,323.86
SC7616	CC Technical Support-Revenue	309,197.99
SC7622	CC Tech Supt-Operati	13,018.83
SC7625	CC Admin-Operations	14,410.92
SC7628	Carney CC-Operate	323,191.82
SC7631	CC RM Support-Operate	150,520.94
SC7632	CC RM Support-Service	67,734.40
SC7637	CC RM Support-Revenue	534,349.49
SC7638	VP - Customer Care	350,813.71
SC7681	Navigator-Revenue	334,251.44
SC7805	PD Cust Care Accrual	(51,352.08)
SC7811	DSM-Comm Deferrable	42,929.84

	SC7840 PHI Comm Acct Manag	115,976.34
	SC7847 KAST North	474,099.55
	SC7849 AMI - C3 Interface	4,911,629.93
	SC7856 PHI Customer System	790,927.60
	SC7857 DSM O/S Svc(DLC)-Dfd	177,508.31
	SC7858 DSM Util Adm(DLC)Dfd	24,860.92
	SC7859 DSM O/S Sv(Rs EE)Dfd	9,471.51
	SC7860 DSM Ut Ad (ResEE)Dfd	16,516.94
	SC7861 DSM O/S Sv(C&IEE)Dfd	51.46
	SC7862 DSM Ut Adm(C&IEE)Dfd	7,792.05
	SC7863 Dfd DSM Mktg-DLC	152,698.55
	SC7865 DFd AMI Sys-Restrict	31,946.16
	SC7883 Manage Revenue Process	227,610.98
	SC7898 DOE WFT PHI(ACE/DPL)	13,146.53
	SC7899 DOE WFT(ACE/DPL/Pep)	42,525.98
	SC7986 EV AMS System	355,842.90
	SC7987 PHI PD Common Billing Systems	528,276.45
	SC7988 Customer Billing Support	11,458.55
	SC7995 DPL&PEP DOE Training	171,717.53
	SC7999 ACE/DPL Bill Insert	2,142,219.32
*	Other Customer Care	49,463,952.97
**	Customer Services	50,035,762.36
	SC6264 Customer Experience Management	
	SC6751 Advertising	36,864.00
	SC7166 909 DPL/Pep Corp Com	51,922.93
	SC7255 Customer Experience	182,951.95
	SC7643 Corporate Advertising	68,735.62
	SC7864 908 Corp Comm-Egy Ad	26,147.89
**	Utility Marketing Services	366,622.39
	SC6917 CS SAP	2,348,360.00
	SC6921 CS Workstation	1,138,779.00
	SC6922 Common Support Network	2,240,712.00
	SC7149 Risk Management Software	273,140.41
	SC7673 SAP Applications	95,657.86
	SC7691 IT Workstation	21,812.35
	SC7746 SAP Residual for SC Use	54,351.59
	SC7747 Workstn Resid for SC	28,792.03
	SC7748 Network Residual for SC Use	(230,388.18)
	SC7792 Network	(175,463.98)
*	Infrastructure & Application Sys & Sup	5,795,753.08
	SC6925 Unix	5,788.00
	SC6926 Intel	38,548.16
	SC7750 Unix Residual for SC Use	(51,745.23)
	SC7751 Intel Residual for SC Use	40,224.28
	SC7775 PHI Mainframe	
	SC7776 Intel	2,418.98
	SC7777 Unix	
*	Mainframe & Operating Systems	35,234.19
	SC60099 Cust Bill Mgr/Sup	16,415.00
	SC60100 Cust Blueprint Mg/Sv	5,250.00
	SC60101 App OMS/MDS Mgr/Sup	
	SC60103 Resource Plan Mgr/Sv	7,000.00

SC60104	IT Platforms Mgr/Sup	
SC60107	Corp Solution Mgr/Sv	
SC60108	IT Client Sup Mgr/Sv	1,152.00
SC60109	Computer Ops Mgr/Sup	
SC60111	Cust Solution Mgr/Sv	3,120.00
SC60112	T&D Solutions Mgr/Sv	12,144.00
SC60117	IT Cont-Cust Sol	31,075.50
SC60119	IT Cont-CC Sys Dev	93,714.50
SC60122	IT Cont-Ad & Tech Sp	277,928.00
SC60161	PD IT-Admin Asst	
SC6025	SAP Functional Supt	
SC6026	SAP Technical Supt	2,883.00
SC6033	Business Systems - OMS / MDS	33,866.00
SC6288	Delivery Technical Services	1,263.00
SC6299	PHI Power Delivery IT	
SC6591	IS CC Sr Tech Supp	23,796.50
SC6660	Customer Care SysDev	8,570.00
SC6667	IT Client Support	632.00
SC6669	IT App Integr & DBA	29,548.00
SC6683	ITNetwork Operation	1,274.00
SC6823	IBM ADM-Application Support	639,258.00
SC6846	IT Computer Operations	
SC6848	IT Power Delivery Systems	297,219.50
SC6849	IT Customer Care Systems	113,866.25
SC6853	IS Management	
SC6888	IT Technician-Pw Del	376.00
SC7206	PD Tech Solutions	86,183.52
SC7207	OMS System Support	1,510,600.87
SC7209	Misc Elc App Sys-Ren	75,922.43
SC7211	Misc Elc App Sys-Rev	13,520.42
SC7212	Misc Elc App Sys-Ope	11,440.37
SC7213	Misc Elc App Sys-Svc	3,120.04
SC7214	PD Business Systems	68,353.88
SC7215	Misc Apps - PHI PD	116,325.68
SC7218	Loadstar - PHI Power Delivery	207,876.77
SC7226	WMIS System Support Allocation	591,914.19
SC7227	GIS Sup ACE/DPL-C&M	686,494.40
SC7228	Wirevision System	86,767.46
SC7229	Misc IT Sys-Asst Mgt	118,146.50
SC7263	PHI PD IT-Bus Sys	120,125.10
SC7296	Misc IT Sys-UOP SS	14,505.36
SC7574	Customer Care Systems	(71,800.86)
SC7603	CusCare Admin/Tech	104,580.11
SC7686	IBM ADM-Application Support	(16,746.44)
SC7720	Office of the VP & CIO	340,287.47
SC7727	IT T&D Solutions	181,027.07
SC7728	IT Customer Solutions	142,573.10
SC7729	IT Computer Operations	57,675.22
SC7737	IT Infrastructure Services	314,948.10
SC7738	IT Infrastructure Platforms	61,463.51
SC7765	CIS Project Contractors	11,385.40
SC7785	SAP Functional	41,629.52

	SC7786 IT Corporate Solutions	193,992.30
	SC7788 IT Mainframe Engineering	35,475.81
	SC7789 IT Client Support	94,598.52
	SC7795 Nexis System	133,503.92
	SC7826 Business Systems - WFMS/MMS	1,915.54
	SC7838 BI WM Metrics System	47,690.05
	SC7850 PHI GIS-PD-C&M	741,067.04
	SC7851 Utility Operations BI System	48,415.39
	SC7853 GIS Sup ACE/DPL-FCSR	686,494.45
	SC7854 PHI GIS-PD-FCSR	741,066.98
*	Other IT Services	9,202,890.44
	SC6927 Storage SAN	8,236.60
	SC6928 Storage Backup	8,286.94
	SC7752 Stg SAN Resid for SC	(56,761.20)
	SC7753 Stg Back Resd for SC	(17,323.63)
	SC7778 Storage Backup	(1,041.15)
	SC7779 Storage SAN	(2,720.88)
*	Storage	(61,323.32)
	SC6919 Phones - Direct	888,332.96
	SC6923 Common Support Phone	681,574.00
	SC7671 IS Phone Services	15,668.69
	SC7713 Phones-Direct	562.53
	SC7749 Phone Residual for SC Use	19,406.54
*	Telephone and Related Items	1,605,544.72
**	Information Technology	16,578,099.11
	SC60126 Corp Citz Soc Res-VP	
	SC60128 Corp Comm-Director	636.00
	SC60129 Corp Comm-Adm/Coord	13,382.00
	SC60144 Corp Citz Soc Res-Mg	
	SC60154 Cust Comm & Mktg	45,625.00
	SC6464 Employee Communications	7,043.50
	SC6634 Public Relations	186,253.50
	SC6750 Corp Communications	22,155.00
	SC6753 Regional Media Communications	112,571.00
	SC7186 923 Cust Comm & Mktg	270,872.24
	SC7193 Corp Cit Social Resp	264,751.44
	SC7259 Strategic Communications	214,855.37
	SC7376 PAC Committee	2,449.44
	SC7468 Gov't Aff MD Lob-B/L	22.85
	SC7469 Govt Aff Fed Lob-B/L	142,856.59
	SC7555 Government Affairs-B/L	234,869.19
	SC7558 ACE/DPL Corp Comm	112,627.99
	SC7559 PHI PD-Corp Communications	148,326.25
	SC7652 Corp Communications	419,477.50
	SC7657 Internet Communication	39,151.35
	SC7658 Regional Media Communications	189,833.35
	SC7659 Corporate Contributions	154,113.17
	SC7827 Communication Services	33,430.21
**	External Affairs	2,615,302.94
	SC60114 AM Environmental Svc	425,717.12
	SC6052 Environmental Services	28,777.00
	SC6624 Environmental Analyst	2,052.00

SC6966 Mgr Corp Envir Svcs	944.00
SC6968 Mgr Envir Mgmt Svcs	
SC7252 Asset Mgmt-Environ	81,011.60
SC7706 Corp Environ Svcs	281,565.25
SC7772 Envir Compl & Perf	540,512.48
** Environmental Services	1,360,579.45
SC6053 PD Safety Services	39,707.00
SC6994 Power Delivery Safety Manager	22,334.00
SC6995 PD Safety Adm Asst	
SC7268 Power Delivery Safety	326,178.92
** Safety Services	388,219.92
SC60031 Adm-PHI Elec Sys Ops	
SC60032 Dir-PHI Elec Sys Ops	98,127.50
SC6036 PHI Electric System Operations	682,608.50
SC6038 EMS System Support	902,278.50
SC6242 PD Operate Network Engineer	6,210.00
SC7204 Sys Ops Supp Resid	652,935.75
SC7567 PHI Electric System Operations	157,514.71
SC7569 EMS & Engineering Support	477,896.09
* System Operations Shared	2,977,571.05
SC6293 Delivery Meter Shop	619,019.90
SC7248 EM New Castle Meter Shop	808,832.89
* Electric Maintenance Meter Shop Shared	1,427,852.79
SC6004 Supplier Relations	198,893.75
SC60068 Civil Engineers	297,703.00
SC60069 Prj & HVDC (Trn)-Mgr	571,786.50
SC60070 Prj & HVDC (Trn)-Eng	129,164.00
SC60072 Mg 3rd Pty Att Serv	114,972.35
SC60077 NERC Pol & Comp-Anl	2,862.00
SC60079 NERC Pol & Comp-Sup	6,251.00
SC60080 Inter & Arrang-Supv	72,637.00
SC60081 Inter & Arrang-Engin	146,122.00
SC60082 Inter & Arrang-Anlst	119,562.00
SC60085 Integ Wrk Cord - Mgr	252,780.50
SC60086 Integ Wrk Cord - Eng	235,790.50
SC60087 Process Manager	120,665.50
SC60088 NOC Ops - Operator	
SC60089 NOC Ops - Analyst	
SC60124 Business Performance - Manager	
SC60130 Fiber Communications Engineer	115,924.00
SC60131 Radio Communications Engineer	610,744.18
SC60132 Network System Engineer	235,820.00
SC60133 NERC Engineer	129,633.94
SC60134 Prot & Cont Eng Mgmt	172,106.00
SC60135 Metrics & Reporting	31,421.50
SC60141 Test Lab Engineer	16,268.00
SC60174 Integ Wrk Cord - Anl	25,471.50
SC6018 DSM Program Manager	171,995.15
SC6021 Asset Mgmt	175,417.50
SC6041 Admin. Asst. - Ops	
SC6057 Asset Mgmt - VP	22,192.00
SC6058 Asset Mgmt - Admin	2,523.00

SC6223	PD Engineering Management	156,461.00
SC6224	PD Engineering Standards	859,336.00
SC6225	Substation Engineering	152,272.00
SC6230	ED Finance Analyst	165,783.00
SC6240	Train & Proc - Mgmt	15,911.40
SC6249	PD Planning Engineer	87,536.25
SC6256	Protection Engineering	615,357.50
SC6258	Reliability Engineer	632,582.94
SC6262	Trans & Dist Engineer	834,461.50
SC6294	Train & Proc - Admin	10,810.00
SC6295	Technical Solutions	17,946.50
SC6296	PHI Emergency Preparedness	6,888.00
SC6435	Pwr Deliv Plan & Fin	33,408.50
SC6627	Transmission Management	72,931.00
SC6629	Transmission Arrangements	384,070.00
SC6689	Bus Improv Consultnt	297,699.00
SC6764	PD Constr Mgt North	1,231,222.50
SC6766	Power Delivery Forester	597,204.00
SC6794	Regulatory Compliance	112,661.25
SC6833	Asset Mgmt Prj & Bud	216,149.00
SC6837	Util Ops-SOX Analyst	
SC6903	Reliab Eng - Mgmt	395,622.00
SC6924	Reliab Eng - Lab Tec	150,550.50
SC6944	Asset Management - Director	22,360.00
SC6945	Asset Mgmt / Plng-VP	1,434.00
SC6946	Asset Mgmt / Pln-Mgr	57,545.50
SC6947	Tele & Ntwk Eng-Mgmt	508,806.50
SC6949	Tel & Nt Eng-Tch Ast	98,834.00
SC6976	Elec Engineer-Admin	44,184.00
SC6977	Distr Planning - Mgt	260,642.50
SC6979	Distr Planning - Adm	41,384.00
SC6980	Trans Engineer-Mgmt	395,053.50
SC6984	Elec Eng-Design Tech	
SC6985	Prot Eng-Design Tech	
SC6992	DSM Manager	35,121.00
SC6993	DSM Analyst	
SC7170	Network Operating Center (NOC)	1,036,635.79
SC7174	Training-ACE/DPL Elc	66,763.43
SC7175	PD Metrics & Reporting	208,944.26
SC7176	Elec Deliv -Storm Ev	113,217.55
SC7190	923 ACE/Pepco - Storm Event	
SC7219	Trans & Civil Eng	131,063.35
SC7221	Constr Mgmt & Sched	13,292.43
SC7224	Substation Engineering T&D	156,672.23
SC7232	Asset Strategy & Planning	75,985.42
SC7235	Asset Management Support	474,201.41
SC7238	Delivery Finance	397,272.34
SC7247	PD Tech Sol/Train'g	351,175.15
SC7253	Vegetation Management	79,358.96
SC7254	Retail Choice & System	72,487.29
SC7257	Transmission Plng	61,721.13
SC7258	PD Engineering Standards	91,673.03

	SC7262	Emergency Utility Restoration	484,563.99
	SC7270	Asset Perf and Relia	223,521.45
	SC7271	Capital Budget Coordination	63,044.18
	SC7272	Protection & Telecommunication	123,002.72
	SC7274	Asset Mgmt - Reg Com	14,661.02
	SC7284	Tel & Ntwk Engineer	131,636.05
	SC7375	Manage 3rd Party Attachers	49,828.35
	SC7379	Proj Mgm&HVDC Trans	89,077.25
	SC7389	Power Delivery R&D	859.60
	SC7391	Business Performance	172,556.70
	SC7397	Perf Mgmt & Supp Svc	240,795.39
	SC7423	Exec Stck Comp - PD	272,278.97
	SC7477	DSM Blueprint	20,167.31
	SC7479	Util of Fut-Dist Gen	63,930.14
	SC7568	MAPP Project	23,246.18
	SC7680	Bus Improvement Cons	73,586.70
	SC7773	Operations Process	190,759.54
	SC7839	NERC Policy and Compliance	609,009.30
	SC7844	Trans Inter & Arrang	12,497.32
	SC7845	NOC Operations	266,204.34
	SC7846	Integ Work Coord PHI	60,999.29
	SC7848	Sr. VP - Strategic Initiatives	549,821.89
	SC7866	923 SVP Oper & Eng	36,082.38
	SC7870	PHI PD Corp Memb.	44,515.57
	SC7884	PD Process Managers	16,145.16
	SC7885	Maintenance Process Billable	59,086.78
	SC7886	Oper & Rest Proc Bil	61,565.88
	SC7888	NERC Pol - ACE / DPL	201,613.30
	SC7978	PHI Pwr Del Plan/Fin	239,420.98
*	Other Delivery Services		20,215,877.21
	SC6875	Power Procurement Srvs	630,714.00
	SC6890	Load Settlements	734,350.82
	SC6891	Market Settlements	389,461.00
	SC6998	Plan Energy Supply	156,312.00
	SC7279	Balance & Settlement	104,075.86
	SC7796	SOS Tracking System	67,002.09
	SC7967	Power Procurement	280,204.06
	SC7975	SOS Recoverable	109,357.55
	SC7983	Plan Energy Supply	42,261.36
*	Power Procurement & Energy Planning		2,513,738.74
**	Regulated Electric & Gas Delivery		27,135,039.79
	SC7132	Energy LOB Executive	
	SC7426	Exec Stck Comp - CE	
*	Management & Administration		
**	Energy Business		
	SC6047	Admin - Bus Trans	
	SC6298	Bus Transf Svcs	19,878.00
	SC6991	Bus Transform - VP	3,311.00
	SC7179	Project Management Office	17,958.90
	SC7266	Business Transformation	195,338.14
**	Internal Consulting Services		236,486.04
	SC6001	Intern	80,849.50

** Interns	80,849.50
*** Subtotal Secondaries	141,186,048.43
721096 Benefit-Allocated	11,931,169.42
* Cost of Benefit	11,931,169.42
420206 I/C-Leas Ex SC Build	8,335.97
420299 I/C-Lease Exp-Ed Plc	
* Building Services	8,335.97
Total Service Company Billings	153,125,553.82

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FOLLOW UP SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No.: AG-RR-158

Re: the response to AG-RR-53: for each organization whose dues were adjusted to remove lobbying costs: (a) identify the organization; (b) provide the amount of the total PHI dues expense; (c) provide the amount of the dues expense allocated or charged to DPL; and (d) quantify the percentage and dollar amount of lobbying costs that the Company adjusted out of its claim.

RESPONSE:

a-d. As these sort of invoices are paid, the accounting for the various costs is determined by the information provided by the organization on the actual invoice. Recoverable membership dues are recorded in FERC Account 930.2 "Miscellaneous General Expenses" and included in cost of service and non-recoverable amounts for lobbying are recorded in Account 426.5 "Other Deductions" and are excluded from cost of service. This accounting is reflected in the per books expenses and thus no ratemaking adjustment is needed for PHI, PHI Service Company or Delmarva Power.

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FOLLOW UP SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-165

Re: the response to PSC-RR-48: expand this response to provide a breakdown, by month of the costs incurred prior to February 2013. In addition, update this response to reflect data for the latest month available.

RESPONSE:

Please see Attachments A and B for the requested information.

Respondent: Jay C. Ziminsky

DPL DE - Dynamic Pricing Regulatory Asset Balance - 2013

Period	Debit	Credit	Balance	Cumulative balance
Balance Carryforward				413,575.88
1	2,352,672.45	0.46	2,352,671.99	2,766,247.87
2	210,211.34	0.36	210,210.98	2,976,458.85
3	247,198.87		247,198.87	3,223,657.72
4	240,535.21	8,695.27	231,839.94	3,455,497.66
5	550,324.35	131,099.54	419,224.81	3,874,722.47
6			0.00	3,874,722.47
7			0.00	3,874,722.47
8			0.00	3,874,722.47
9			0.00	3,874,722.47
10			0.00	3,874,722.47
11			0.00	3,874,722.47
12			0.00	3,874,722.47
13			0.00	3,874,722.47
14			0.00	3,874,722.47
15			0.00	3,874,722.47
16			0.00	3,874,722.47
Total	3,600,942.22	139795.63	3,461,146.59	3,874,722.47

See PSC-RR-40 for DP Reg Asset balances for 2011 and 2012

Delmarva Power & Light Company
Dynamic Pricing Regulatory Asset Balance
Costs by Month

(1) Line No.	(2) Month	(1) Customer Education	(2) Systems Support	(3) Amortization	(4) Outbound Notifications	(5) Consulting	(6) Program Management	(7) Total
1	Jul-10	-	-	-	-	8,431.22	-	8,431.22
2	Aug-10	-	-	-	-	8,146.98	-	8,146.98
3	Sep-10	-	-	-	-	4,702.28	-	4,702.28
4	Oct-10	-	-	-	-	2,498.45	-	2,498.45
5	Nov-10	-	-	-	-	7,682.74	-	7,682.74
6	Dec-10	-	-	-	-	324.09	-	324.09
7	Jan-11	-	-	-	-		-	-
8	Feb-11	-	-	-	-	3,828.88	-	3,828.88
9	Mar-11	-	-	-	-	3,850.74	-	3,850.74
10	Apr-11	-	-	-	-	8,047.75	-	8,047.75
11	May-11	-	-	-	-	3,790.24	-	3,790.24
12	Jun-11	-	-	-	-	1,392.12	-	1,392.12
13	Jul-11	-	-	-	-	3,899.16	-	3,899.16
14	Aug-11	-	-	-	-	-	-	-
15	Sep-11	-	-	-	-	18,052.96	-	18,052.96
16	Oct-11	-	-	-	-	8,771.91	-	8,771.91
17	Nov-11	-	-	19,362.76	-	-	-	19,362.76
18	Dec-11	-	-	39,180.69	-	-	-	39,180.69
19	Jan-12	23,900.00	-	39,643.67	-	3,880.41	-	67,424.08
20	Feb-12	11,950.00	-	39,789.00	-	-	-	51,739.00
21	Mar-12	9,699.30	-	39,936.94	-	-	-	49,636.24
22	Apr-12	3,827.26	-	636,514.41	-	-	-	640,341.67
23	May-12	54,022.41	-	152,409.82	-	9,236.47	-	215,668.70
24	Jun-12	(13,938.00)	-	152,409.82	-	1,670.05	-	140,141.88
25	Jul-12	31,211.12	-	152,409.83	-	7,458.53	-	191,079.48
26	Aug-12	16,991.79	-	152,409.83	-	7,378.24	-	176,779.86
27	Sep-12	7,400.00	-	152,409.83	-	-	-	159,809.83
28	Oct-12	39,986.29	-	152,409.83	-	-	6,996.00	199,392.12
29	Nov-12	24,504.46	1,586.00	152,409.83	-	-	15,105.00	193,605.29
30	Dec-12	19,868.03	41,371.80	152,409.82	-	6,684.80	8,109.00	228,443.45
31	Jan-13	17,975.00	5,496.40	152,409.82	-	-	3,600.00	179,481.22
32	Feb-13	10,399.75	10,143.00	151,881.25	-	-	4,200.00	176,624.00
33	Mar-13	-	52,851.82	134,121.89	2,385.25	-	5,100.00	194,458.96
34	Apr-13	89,494.55	(16,066.02)	151,881.27	4,013.89	-	7,275.00	236,598.69
35	May-13	128,573.54	22,984.53	135,557.93	53,414.49	1,716.70	3,686.00	345,933.20
36	Total	**475,865.50**	**118,367.54**	**2,759,558.25**	**59,813.63**	**121,444.75**	**54,071.00**	**3,589,120.65**

PSC DOCKET NO. 13-115
ATTORNEY GENERAL OF THE STATE OF DELAWARE
FOLLOW UP SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : AG-RR-172

Re: the response to AG-RR-122: explain why the percentage costs billed to PHI declined so significantly in 2011 and 2012.

RESPONSE:

The percentage of costs allocated to PHI Parent Company (PHI) declined in 2011 due to the replacement of two ratios used to allocate costs to PHI with a new allocation ratio as part of the extension and modification of the PHI Service Agreement as of January 1, 2011. The modified service agreement included changes for allocating certain types of Service Company costs as a result of feedback received from various regulatory audits. These changes were made to provide additional transparency in understanding the methods used to allocate costs from the Service Company to the other PHI affiliates, including DPL and PHI Parent Company, and/or to facilitate independent recalculation by external parties.

The two ratios previously used to allocate costs to PHI, the O&M ratio and Total Cost ratio, were replaced with a composite "Two Factor" ratio. The Two Factor ratio includes an Operations and Maintenance (O&M) ratio (the definition of which was revised to include Service Company allocations) and a Gross Property, Plant and Equipment ratio.

The Two Factor Ratio, similar to the previously used Total Cost ratio, can be viewed as a size-based "general" allocator, in that O&M and Gross Property, Plant and Equipment represent two significant factors in a legal entity's business activities - operations and asset base. The size of these two financial statement items can be considered cost causative of the support provided by the Service Company. Due to the nature of PHI Parent Company, there are no assets, employees or operating activity that would provide a more cost causative basis to draw costs to the parent company for services provided by the Service Company.

The percentage of costs allocated to PHI Parent Company would have decreased from 2010 to 2011 even if the Total Cost ratio was still used due to a significant reduction in interest expense (part of the Total Cost ratio) at PHI Parent Company. PHI used the 2010 proceeds from the disposition of the Conectiv Energy business to pay down outstanding debt on PHI Parent Company, thus resulting in a reduction in interest expense.

Respondent: Kathleen A. White

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-10

Referring to Rate Base WP #8, please provide a complete copy of the study and calculations used to derive the expense (lead)/lag days shown in Column (5).

RESPONSE:

Please see attached.

Respondent: Jay C. Ziminsky

Attachment

DE 13-115 PSC-RR-10

Pepco Holdings Inc.
Delmarva Power & Light Company
Weighted Other O&M Lag
As of December 31, 2010

FERC Form 1- pages 322-323 Line no.		Amount	Lag Days	Dollar Days
156	Total Distribution Expenses	56,125		
164	Total Customer Accounts Expense	52,220		
171	Total Cust. Svc.& Info.Expenses	2,611		
178	Total Sales Expenses	725		
197	Total A&G Expenses	69,612		
	Total	181,293		
	O&M Payroll-p 354, l 28	32,932	15.96	525,595
	Affiliate Transactions	125,469	14.43	1,810,518
	Other O&M	22,892	35.19	805,569
	Total	181,293	17.33	3,141,682

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-12

Referring to Schedule (JCZ)-1, prepaid balances, as allocated to Delaware Distribution, please identify the amount included for prepaid insurance. Please also explain whether insurance expense was included in the lead-lag analysis. If insurance expense was included in the lead-lag analysis, please explain why it is necessary and appropriate to include prepaid insurance as a separate element in rate base.

RESPONSE:

The prepaid insurance amount of $41,431 (net of tax) included as a miscellaneous rate base item consists of $37,975 for Auto Liability Insurance and $3,456 for General Liability Insurance.

Insurance expense is reflected in "O&M-Other in the cash working capital, lead lag study.

The Company will remove $41,431 of prepaid insurance included in rate base during the rebuttal phase of this proceeding.

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-20

Please provide a schedule showing DPL's actual rate case expense for each of the Company's last 5 base rate proceedings in Delaware. Please indicate whether the case was an electric or a gas rate case and also indicate whether the case was settled or litigated.

RESPONSE:

Please see attached.

Respondent: Jay Ziminsky

Delmarva Power & Light Company
Delaware Electric

5 Past Rate Case (Electric and Gas) Expenses

Docket Number	Type	Litigated or Settled	Rate Case Expense	
Docket Number No. 11-528	Electric	Settled	$ 634,054	
Docket Number No. 10-237	Gas	Settled	$ 281,559	
Docket Number No. 09-414	Electric	Litigated	$ 245,241	*
Docket Number No. 06-284	Gas	Settled	$ 290,000	*
Docket Number No. 05-304	Electric	Litigated	$ 400,000	*

* Represents best estimate of actual cost of case. Case costs not included in settlement or final decision. These costs represent incremental costs for the Commision's charges, Company consultants, lawyers, notice printing and transcripts costs

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-32

Referring to Schedule (JCZ)-10, Adjustment 11, please identify any and all incentive compensation expenses, including those allocated from the Service Company, that are included in the Company's claimed revenue requirement after excluding executives' incentive compensation shown in this adjustment.

RESPONSE:

Please see attached.

Respondent: Jay C. Ziminsky

DELMARVA POWER
NON-EXECUTIVE INCENTIVE EXPENSE

		DPL - TOTAL 12 ME DEC 2012	DPL %	DPL ELE %	DPL DIST %	DPL DE DIST. %	DPL - DE DIST. 12 ME Dec 2012
	COMPANY CODE - 1000 - DPL						
COMP COD	GENERAL LEDGER ACCOUNT						
1000	710060 Accrued Liability AIP	$885,526	100.00%	82.93%	92.81%	58.58%	$399,296
1000	710055 Acrrued Liabaility Safety Incentive	$63,380	100.00%	82.93%	92.81%	58.58%	$28,579
1000	710066 Accrued Liability Payout vs Actual	($5,835)	100.00%	82.93%	92.81%	58.58%	($2,631)
1000	710020 Salaries Incentive	$13,714	100.00%	82.93%	92.81%	58.58%	$6,184
1000	710022 Salaries Employee Recognition	$65,894	100.00%	82.93%	92.81%	58.58%	$29,712
	Total	$1,022,679					$461,140
	COMPANY CODE - 9000 - SERVCO						
9000	710060 Accrued Liability AIP	$10,456,130	30.03%	82.93%	92.81%	58.58%	$1,415,855
9000	710055 Acrrued Liabaility Safety Incentive	$52,196	30.03%	82.93%	92.81%	58.58%	$7,068
9000	710066 Accrued Liability Payout vs Actual	$129,389	30.03%	82.93%	92.81%	58.58%	$17,520
9000	710020 Salaries Incentive	$260,855	30.03%	82.93%	92.81%	58.58%	$35,322
9000	710022 Salaries Employee Recognition	$420,183	30.03%	82.93%	92.81%	58.58%	$56,897
	Total	$11,318,753					$1,532,662
	COMPANY CODES 1000 & 9000						
	Total	$12,341,432					$1,993,802

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-33

Referring to Schedule (JCZ)-13, Adjustment 14, please provide a schedule showing a detailed breakdown of DPL's actual Bi-Annual IRP Cycle costs since the inception of the program.

RESPONSE:

The attachment to this data request provides the requested information. In Quarter 3 of 2009, the PSC approved the IRP Rules and Regulations under Docket 60. Consequently, the data shown in the attachment is provided before and after the Docket 60 regulations were implemented.

Respondent: Jay C. Ziminsky

Delaware IRP

IO#s 5233501, 5234171, 5239824, 5240562, 5245600

	2006	2007	2008	2009	2010	2011	2012	YTD 2013	Cumulative
IRP Expenses Prior to Approval of Docket 60 Regulations									
Delaware Public Service Commission	$0	$56,836	$34,054	$50,617					$141,507
The Brattle Group	$0	$0	$412,385	$73,049					$485,434
Concentric Energy Advisors	$59,941	$0	$0	$0					$59,941
ICF	$337,386	$357,329	$586,752	$19,637					$1,301,104
New Energy Opportunities	$166,330	$151,124	$0	$0					$317,455
The Rickinson Group	$0	$20,500	$0	$0					$20,500
Roy Shanker, Ph.D.	$0	$0	$10,200	$0					$10,200
Navigant	$0	$29,000	$0	$0					$29,000
Orrick Harrington	$296,931	$118,601	$424,233	$0					$839,765
Richards, Layton & Finger	$0	$0	$76,883	$0					$76,883
Joanne Scanlon Prestia	$0	$3,065	$0	$0					$3,065
Vinson & Elkins	$0	$0	$124,327	$0					$124,327
TALEO (name changed to Bee Line)	$0	$0	$47,242	$630					$47,873
Blue Marble Logistics, LLC.	$0	$0	$2,523	$0					$2,523
Corbett & Wilcox (transcript services)	$2,049	$0	$0	$0					$2,049
Wilcox & Fetzer	$200	$0	$0	$0					$200
Potomac Comm	$0	$0	$0	$10,000					$10,000
Bidder Deposits	-$40,000	$0	-$18,000	$0					-$58,000
IRP Expenses After Approval of Docket 60 Regulations									
ICF (modeling and analytical services)				$0	$759,393	-$19,652	$163,755	$0	$903,496
EPRI (Life Cycle Assessment of Power Options)				$99,960	$39,145	$0	$0	$0	$139,105
URS (generation costing and siting studies)				$75,000	$8,362	$0	$0	$0	$83,362
Temp Contractors (Bruce Mclenathan, John Watson)				$15,637	$21,530	$0	$0	$0	$37,168
Delaware Public Service				$11,661	$16,161	$54,803	$6,478	$4,651	$93,754
Brattle Group (procurement portfolio)				$0	$82,450	$1,080	$123,329	$0	$206,859
Supreme Court of Delaware				$0	$900	$0	$0	$0	$900
Power Procurement Srvs ATP				$0	$0	$678	$0	$0	$678
Blue Marble Logistics				$0	$114	$0	$0	$0	$114
Potomac Communications Grp				$11,002	$0	$10,000	$8,500	$0	$29,502
Meals				$180	-$180	$0	$0	$0	$0
Stanton Communication				$0	$0	$0	$0	$9,875	$9,875
	$822,837	$736,456	$1,700,598	$367,373	$927,875	$46,909	$302,062	$14,526	$4,918,636

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-44

Please provide the timetable of significant milestones that shows the deployment schedule for the DLC program in Delaware.

RESPONSE:

See the below table for the forecasted deployment schedule by month.

Installations by Month	2013	2014	2015	2016	Total
January	-	1,800	858		2,658
February	-	1,800	858		2,658
March	-	1,800	858		2,658
April	600	1,800	858		3,258
May	1,500	1,800	858		4,158
June	2,500	1,800	858		5,158
July	2,500	1,800	858		5,158
August	2,500	1,800	858		5,158
September	2,500	1,800	858		5,158
October	2,500	1,800	858		5,158
November	2,500	1,800	858		5,158
December	2,500	1,800	858		5,158
Total	19,600	21,600	10,300	-	51,500

Respondent: Jay C. Ziminsky

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
INITIAL SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-RR-54

Referring to the Direct Testimony of Jay C. Ziminsky, page 34, please provide a complete copy of DPL/PHI's non-executive incentive compensation program(s) that were in effect during the years 2011 through 2013, inclusive.

RESPONSE:

For 2011, please see "PSC-RR-54a" Attachment.

For 2012, please see "PSC-RR-54b" Attachment.

For 2013, please see "PSC-RR-54c" Attachment.

Respondent: Jay C. Ziminsky

Pepco Holdings, Inc.

2012
Annual Incentive Plan

An Overview of the Annual Incentive Plan (AIP)

The purpose of the AIP is to monetarily recognize eligible management employees who achieve or exceed pre-established annual goals that are crucial to the improved performance of the employee's Team and PHI as a whole. Employees have an opportunity to earn awards for the performance and results they help to achieve.

Earning awards is intended to be challenging. PHI has established goals that must be met in order to enhance our competitiveness as a company within our industry. Specific, measurable goals provide a clear line of sight linking work results to important financial, customer and employee strategic objectives.

Many high-performing companies use incentive pay in combination with base pay to drive the performance and results essential to their success. As PHI strives to be competitive, we are including both base pay and incentive pay as part of our total market-based pay program.

Incentive pay does not become part of an employee's base pay; it must be earned every year by meeting stretch goals for that year. Teamwork will always be a key factor in earning awards.

Plan Year

The Plan Year is January 1 to December 31.

Eligibility

All PHI management employees who do not participate in any other incentive plan are eligible to participate in the AIP (excluding PES employees). New hires must be employed and actively at work before October 1 of the plan year in order to be eligible for that year. Part Time management employees, in addition to being employed and actively at work before October 1 must also have a regular schedule of at least 20 hours per week in order to be a participant in the plan. Awards for new hires are prorated based on the amount of time an employee is employed during the year. For example, an employee hired on April 1 and who is still employed on December 31 would be eligible for an award based on nine months of employment.

Performance Measures

Performance will be measured at the Business Unit level only and is based on the 2012 Executive Incentive Plan. For Power Delivery employees, the Power Delivery's earnings must reach a 90% threshold to qualify for any potential payout. **Corporate Services employees are eligible to receive a payout only to the extent that Power Delivery and/or Non-Regulated earnings meet or exceed threshold levels and such awards shall not exceed 50% of target if PHI corporate earnings do not meet or exceed threshold levels.** The plan is intended to align employees with key business goals and executive area balanced scorecards.

Target Awards

A position's pay grade and salary determines the target award. Target awards will range from 5% to 15% percent of base pay. Target awards are higher for higher grades due to the greater scope and responsibility of positions at higher levels and their potential impact on results.

A target award is expressed as a percent of base salary. The target awards are market based.

Pay Grade	Target Award (% of base pay)
15 – 16	**15%**
13 – 14	**12%**
11 – 12	**10%**
8 – 10	**8%**
5 – 7	**6%**
1 – 4	**5%**

Rewarding Exceptional Results

The actual award potential will range from zero to a maximum of 150% of target award level depending on performance at the Business Unit level. Awards can exceed 100% of the targets only for truly exceptional results that are documented.

Award Calculation Using "Multipliers"

At year's end, the Company will assess performance results and assign scores that equate to Business Unit "multipliers" that can be as high as 150% of target award level. The multipliers are used to mathematically determine the actual award payment as follows:

Business Unit Performance Multiplier	x	**Individual AIP Award Percent**	x	**Employee's Base Salary**	=	**Annual Incentive Plan Payout**

Business Unit Goals

- Business Unit performance goals are weighted as follows:

  (1) 50% for the PHI Balanced Scorecard (based on the Power Delivery Balanced Scorecard)

  (2) 50% for the Executive Area Balanced Scorecard

Business Unit Goals (continued)

(3) 25% for the Group Balanced Scorecard (Optional)
(If used, the Executive Area weight reduces to 25%)

The formula for Corporate Services employees when PHI Corporate Earnings are met is: [50% (Power Delivery BSC x 90% + Competitive BSC x 10%) + 50% Executive Area BSC (Tier 2 = 25% + Tier 3 = 25% where applicable)] x Salary x AIP Percent
NOTE: To create better alignment with Power Delivery, Corporate Services employees' payout is capped at 50% when Power Delivery meets or exceeds its threshold target and PHI does not meet or exceed PHI's Corporate Earnings threshold.

Award Payment

- The target award will be calculated using the employee's base salary in effect on the last day of the plan year unless the employee receives a promotion or salary adjustment during the plan year. In those instances the award will be prorated. (See bullet 6).

- The target award for part-time employees will be calculated using the employee's base earnings during the part-time status.

- The award will be paid following the end of the plan year and generally is paid sometime in March. Awards are subject to federal, state and local taxes, as required by law.

- If an employee terminates employment after the plan year ends, but before the award payout is made, he/she will still receive the award.

- Each employee will receive an individual payout sheet that shows how his/her award was calculated and the associated Business Unit multipliers used in the calculation.

- In certain situations, awards will be prorated:

  - If an employee changes pay grades during the plan year and becomes eligible for a different target incentive award, the award will be prorated according to the number of days spent in each grade and the salary associated with the grade for that time period.

  - If an employee transfers from one Business Unit to another Business Unit during the year, the award he/she receives will be prorated according to the number of days spent in each Business Unit and the associated salary during the time spent in each Business Unit.

  - If an employee changes status from full-time to part-time or vice versa during the year, the award will be prorated according to the number of days spent in the part-time status and the number of days spent in the full-time status. The prorated award will use the annualized base earnings during the part-time status and the salary during the full-time status in calculating the award. If an employee is part-time during the entire plan year, the base earnings will be used in calculating the award.

- When a bargaining unit employee is transferred to a management position or vice versa the award is prorated based on the employee's transfer date.

Award Payment (continued)

- If the employee is a management new hire who is eligible for the plan and was actively at work prior to October 1 of the plan year, the award is prorated based on the number of days employed by the Company.

- In cases of death, long-term disability or retirement, awards are prorated based on the number of days that the Incentive Plan participant was an active employee during the plan year.

- If the employee is absent from work for 20 or more consecutive days in a paid or unpaid status (with the exception of vacation and floating holidays), the award is prorated based on the number of days actively at work during the plan year. The paid or unpaid leave status includes illness, FMLA, military leave, workers' compensation, approved and unapproved absences, suspensions and jury duty.

- No award payment will be made in any of the following situations:

  - When the employee's overall individual annual performance rating is a 1 (Unsatisfactory) in the Performance Accountability System (PAS). In addition, a rating of 2 (Performance Improvement Needed) for two consecutive years is not eligible for an award (starting with the 2005 performance year).

  - When the employee terminates employment (for reasons other than death, disability or retirement) before the end of the plan year. In addition, a prorated award will not be paid if an employee retires from a severance leave of absence.

Reporting Results

- Business Unit Goals

  Business Unit leaders will report results to People Strategy & HR and to eligible employees quarterly.

  - Business Unit leaders should publish a report for their management employees discussing Business Unit goal results.

  - Business Unit leaders should report on:
    - Progress or problems regarding each Business Unit goal
    - Each Business Unit goal's performance result and multiplier
    - The composite Business Unit multiplier based on each goal's weighting factor

Continuation of the Plan

The Company may continue, terminate or adjust the Plan at any time.

Pepco Holdings, Inc.

2013
Annual Incentive Plan

An Overview of the Annual Incentive Plan (AIP)

The purpose of the AIP is to monetarily recognize eligible management employees who achieve or exceed pre-established annual goals that are crucial to the improved performance of the employee's Team and PHI as a whole. Employees have an opportunity to earn awards for the performance and results they help to achieve.

Earning awards is intended to be challenging. PHI has established goals that must be met in order to enhance our competitiveness as a company within our industry. Specific, measurable goals provide a clear line of sight linking work results to important financial, customer and employee strategic objectives.

Many high-performing companies use incentive pay in combination with base pay to drive the performance and results essential to their success. As PHI strives to be competitive, we are including both base pay and incentive pay as part of our total market-based pay program.

Incentive pay does not become part of an employee's base pay; it must be earned every year by meeting stretch goals for that year. Teamwork will always be a key factor in earning awards.

Plan Year

The Plan Year is January 1 to December 31.

Eligibility

All PHI management employees who do not participate in any other incentive plan are eligible to participate in the AIP (excluding PES employees). New hires must be employed and actively at work before October 1 of the plan year in order to be eligible for that year. Part Time management employees, in addition to being employed and actively at work before October 1 must also have a regular schedule of at least 20 hours per week in order to be a participant in the plan. Awards for new hires are prorated based on the amount of time an employee is employed during the year. For example, an employee hired on April 1 and who is still employed on December 31 would be eligible for an award based on nine months of employment.

Target Awards

A position's pay grade and salary determines the target award. Target awards will range from 5% to 15% percent of base pay. Target awards are higher for higher grades due to the increased scope and accountability of positions at higher levels, and their potential to impact business results.

A target award is expressed as a percent of base salary. The target awards are market based.

Pay Grade	Target Award (% of base pay)
15 – 16	15%
13 – 14	12%
11 – 12	10%
8 – 10	8%
5 – 7	6%
1 – 4	5%

Rewarding Exceptional Results

The actual award potential will range from zero to a maximum of 150% of target award level depending on performance at the Business Unit level. Awards can exceed 100% of the targets only for truly exceptional results that are documented.

Award Calculation Using "Multipliers"

At year's end, the Company will assess performance results and assign scores that equate to Business Unit "multipliers" that can be as high as 150% of target award level. The multipliers are used to mathematically determine the actual award payment as follows:

Business Unit Performance Multiplier	x	Incentive Pool Adjustment Factor *	x	Individual AIP Award Percent	x	Employee's Base Salary	=	Annual Incentive Plan Payout

Business Unit Performance Multipliers

- Business Unit performance multipliers are weighted for Power Delivery as follows:

  (1) 50% for the Tier 1 Power Delivery Balanced Scorecard
  (2) 50% for the Tier 2 Executive Area Balanced Scorecards, or alternately:

  - 25% for the Group Balanced Scorecard (Optional)
    (If used, the Executive Area weight reduces to 25%)

*See Program Funding section for details.

Business Unit Goals (continued)

The business unit performance goal multipliers for Corporate Services employees is:

- (1) 50% for the Tier 1 Balanced Scorecard (based on Power Delivery BSC x 90% + PES BSC x 10%)

  (2) 50% for the Executive Area Balanced Scorecards, or alternately:

  - 25% for the Group Balanced Scorecard (Optional)
    (If used, the Executive Area weight reduces to 25%)

Program Funding

PHI has established an "Enterprise Incentive Pool" (EIP) to fund all PHI 2013 annual incentive awards, including this 2013 Program. The EIP funding will begin when 2013 earnings exceed the 2013 budget of $1.12/share, $276M after tax earnings. The following elements shall apply to the funding of the EIP.

EIP Funding Elements

- If earnings are below budget, no 2013 annual incentives will be paid for PHI, PD or PES.
- The EIP will grow by $1 for each $2 (50/50 Sharing – Employee/Shareholder) in pre-tax earnings, above $276 million up to $20M O&M, which is the collective PHI and PES executive and management target O&M annual incentive level for 2013. Note that the gross target EIP, including amounts that are capitalized, is projected to be approximately $30 million.
- Once the EIP reaches $20M O&M ($30M gross EIP), it will grow by $3 for every $4 (75/25 Sharing – Empl/Shldr) of pre-tax O&M earnings, up to a plan cap of $30M O&M ($45M gross EIP) which is 150% of the $30M target incentive. Shareholders receive 100% of profits after the plan cap is reached.
- Existing EICP and AIP Plan designs will be maintained. PES incentive designs will also be maintained.
- Program Results for PHI will be calculated as in the past (the "Enterprise Calculated Incentive"), and then adjusted for the size of the incentive pool.
- The "Incentive Pool Adjustment Factor" will be applied uniformly to Executive and Management employees alike.
- If total EIP funding does not exceed $2M, the EIP shall be equally apportioned between all non-executive participants in the AIP, and PES annual incentive programs, providing performance is at a "meets expectations" level or higher.

Award Payment

- The target award will be calculated using the employee's base salary in effect on the last day of the plan year unless the employee receives a promotion or salary adjustment during the plan year. In those instances the award will be prorated. (See bullet 6).

- The target award for part-time employees will be calculated using the employee's base earnings during the part-time status.

- The award will be paid following the end of the plan year and generally is paid sometime in March. Awards are subject to federal, state and local taxes, as required by law.

- If an employee terminates employment after the plan year ends, but before the award payout is made, he/she will still receive the award.

- Each employee will receive an individual payout sheet that shows how his/her award was calculated and the associated Business Unit multipliers used in the calculation.

- In certain situations, awards will be prorated:

  - If an employee changes pay grades during the plan year and becomes eligible for a different target incentive award, the award will be prorated according to the number of days spent in each grade and the salary associated with the grade for that time period.

  - If an employee transfers from one Business Unit to another Business Unit during the year, the award he/she receives will be prorated according to the number of days spent in each Business Unit and the associated salary during the time spent in each Business Unit.

  - If an employee changes status from full-time to part-time or vice versa during the year, the award will be prorated according to the number of days spent in the part-time status and the number of days spent in the full-time status. The prorated award will use the annualized base earnings during the part-time status and the salary during the full-time status in calculating the award. If an employee is part-time during the entire plan year, the base earnings will be used in calculating the award.

  - When a bargaining unit employee is transferred to a management position or vice versa the award is prorated based on the employee's transfer date.

  - If the employee is a management new hire who is eligible for the plan and was actively at work prior to October 1 of the plan year, the award is prorated based on the number of days employed by the Company.

Award Payment (continued)

- In cases of death, long-term disability or retirement, awards are prorated based on the number of days that the Incentive Plan participant was an active employee during the plan year.

- If the employee is absent from work for 20 or more consecutive days in a paid or unpaid status (with the exception of vacation and floating holidays), the award is prorated based on the number of days actively at work during the plan year. The paid or unpaid leave status includes illness, FMLA, military leave, workers' compensation, approved and unapproved absences, suspensions and jury duty.

- No award payment will be made in any of the following situations:

  - When the employee's overall individual annual performance rating is a 1 (Unsatisfactory) in the Performance Accountability System (PAS). In addition, a rating of 2 (Partially achieved goal) for two consecutive years is not eligible for an award.

  - When the employee terminates employment (for reasons other than death, disability or retirement) before the end of the plan year. In addition, a prorated award will not be paid if an employee retires from a severance leave of absence.

Continuation of the Plan

The Company may continue, terminate or adjust the Plan at any time.

Definitions

- **Enterprise Incentive Pool** – A pool that is created from earnings once budget earnings are achieved. Annual incentives are funded from the pool.
- **Enterprise Calculated Incentive** – A rollup of all of PHI incentive plan results based on the results of balanced scorecards, individual goals, and individual incentive targets.
- **Incentive Pool Adjustment Factor** – Enterprise Annual Incentive Pool divided by Enterprise Calculated Incentive. The factor is used to adjust individual awards in a consistent manner.
- **EICP** – PHI Executive Incentive Compensation Plan - Applies to PHI executive employees.
- **AIP** – PHI Annual Incentive Plan that applies to non-executive management employees.

PSC DOCKET NO. 13-115
DELAWARE PUBLIC SERVICE COMMISSION STAFF
FOLLOW UP SET OF REVENUE REQUIREMENTS DATA REQUESTS
TO DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-RR-94

Refer to DPL's response to PSC-RR-10, Attachment, page 12 of 22. This schedule shows the weighted lead days for Other O&M expense. Please provide the following:

a. All calculations supporting the 14.43-day expense lead assigned to affiliate transactions

b. Explain DPL's policy for settling claims from affiliates. Please explain when affiliate bills are routinely rendered and when DPL settles the claims.

c. Complete copy of the Service Company Agreement(s) which specifies the time of DPL's payments for services provided by the Service Company and other affiliates.

RESPONSE:

a. Attached please find the requested information.

b. The intercompany billing, which would include transactions between DPL and the Service Company and other affiliates, is settled each month through the PHI Money Pool. Each month around the 15th business day, the settlement of the Intercompany Money Pool Balances (Intercompany Receivable and Payable Accounts) takes place for the preceding month.

c. Refer to the response to AG-RR-56, Attachment 1.

Respondent: Kathleen A. White/Jay Ziminsky

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES (Filed March 22, 2013)	))))	PSC DOCKET NO. 13-115

CERTIFICATE OF SERVICE

I hereby certify that on August 16, 2013 I caused the following to be served upon all parties on the attached service list in the manner indicated thereon.

- **DIRECT TESTIMONY OF DAVID C. PARCELL ON BEHALF OF THE DIVISION OF THE PUBLIC ADVOCATE**
- **DIRECT TESTIMONY OF ANDREA C. CRANE ON BEHALF OF THE DIVISION OF THE PUBLIC ADVOCATE**
- **DIRECT TESTIMONY OF DAVID E. DISMUKES, PH.D. ON BEHALF OF THE DIVISION OF THE PUBLIC ADVOCATE**

/s/ *Regina A. Iorii*

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Dated: August 16, 2013

SERVICE LIST
DP&L ELECTRIC BASE RATE CASE
PSC DOCKET No. 13-115
As of 7/3/13

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SERVICE LIST
DP&L ELECTRIC BASE RATE CASE
PSC DOCKET No. 13-115
As of 7/3/13

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SERVICE LIST
DP&L ELECTRIC BASE RATE CASE
PSC DOCKET No. 13-115
As of 7/3/13

Intervenors:

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